

# SIMMONDS ON BANK INSURANCE

Edition 7-3

Consulting On, But Never Selling, Insurance

June 2013

## Your Bank Insurance Renewal Process

*Tick, tick, tick.* Your insurance renewals come closer and closer. Should you bring in other agents? Should you stick with your current agent for one more year? Perhaps business or personal relationships keep you from changing agents. Maybe you don't want to. Or, perhaps you need to change agents.

Every one of the more than 300 financial institutions I have worked with have asked these questions. It comes down to a few paths and a circuitous process.

### PATH 1: YOU CAN'T CHANGE AGENTS

My years of working with community banks have shown me that well over half cannot, for a variety of reasons, change insurance agents. Some banks have a subsidiary that sells insurance (tough not to buy your insurance from your own company). The insurance agent for others is a large depositor, stockholder, or board member.

Having close ties to your insurance agent can be a good thing. The most important part of the insurance transaction is the insurance buyer's relationship with the insurance agent. Close, almost family relationships can mean that your agent is in there swinging for you. There is, however, the danger that complacency can set in. Prevent that by setting high expectations for your agent.

If, by necessity or by decision, you are staying with your current insurance agent, start the renewal process early. Meet with your agent 120 days before your coverage expires. Push for a premium indication from your current insurance company 90 days

before your current insurance expires. You'll get push-back on this. Many insurers don't want to play this way. Actually, getting you the renewal quotes a week before expiration is to your insurer's advantage.

Tell your insurer that you want to settle the issue of the renewal early so that you can make proactive decisions on your insurance. Agree that if the renewal terms are fair, you will not bid your coverage to other insurance companies. You cannot, however, wait until the last minute to get information.

At the same time, discuss other insurers with your agent. Have a plan in place so that if your current insurer does not perform (either their renewal offer is unacceptable or they are unwilling to provide an early indication of premium), you are ready to work with your agent to find other insurers to protect you.

### PATH 2: YOU CAN CONSIDER OTHER AGENTS, BUT DO YOU WANT/NEED TO?

Your insurance agent should be an important part of your risk management team. Here is the real test:

Imagine you're standing in front of the smoldering hulk that was once your main

*Continued on page 2*

### RENEWAL OPTIONS

#### RENEW CURRENT AGENT & INSURER

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>■ Easy on you.</li> <li>■ Shows loyalty to your agent and insurer.</li> </ul>	<ul style="list-style-type: none"> <li>■ No competitive pressures.</li> <li>■ Coverage errors may exist.</li> <li>■ You may miss opportunities.</li> </ul>

#### CURRENT AGENT/MULTIPLE INSURERS

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>■ Easy on you.</li> <li>■ Competition pushes insurers.</li> <li>■ Shows loyalty to your agent.</li> </ul>	<ul style="list-style-type: none"> <li>■ No competitive pressures.</li> <li>■ Coverage errors may exist.</li> <li>■ Missed opportunities.</li> </ul>

#### AGENT SELECTION PROCESS

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>■ Multiple agents give you ideas.</li> <li>■ Competition pushes insurers.</li> </ul>	<ul style="list-style-type: none"> <li>■ Agent is not pushed to perform.</li> <li>■ Time consuming.</li> <li>■ Missed opportunities.</li> </ul>

#### MULTIPLE AGENTS/MULTIPLE INSURERS

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>■ Ultimate competitive pressures are exerted.</li> <li>■ Lowest prices and broadest coverages.</li> <li>■ You are exposed to multiple ideas.</li> </ul>	<ul style="list-style-type: none"> <li>■ Time consuming.</li> <li>■ Difficult to compare and evaluate results.</li> <li>■ You may have to start new relationships.</li> </ul>

*Continued from page 1*

office. The fire was fast and devastating. Is your current insurance agent the person you want standing next to you?

If your answer is anything but an immediate and resounding “Yes!” then it’s time to think about finding a new insurance agent (or a great bank insurance consultant).

## **NEGOTIATE YOUR RENEWAL, WHATEVER PATH YOU TAKE**

There are several common parts to whatever path you take in the chart above. The most important thing is to always negotiate with insurers before you bind coverage. Premium setting is an art, not a science. Insurers have guidelines for pricing and for coverage offerings. There is always room for negotiation.

Underwriters can debit your premiums by 25% in most cases. They can also credit your premiums by 25%. Right there is a 50% swing in premium that is at the discretion of the underwriter. Every insurance company has multiple subsidiary insurers. Those subsidiary companies have different rating structures and plans. Think of Subsidiary Insurer A as being the preferred insurer (with lower rates), and Subsidiary Insurer B as being the standard rated insurer.

Between standard and preferred, debits and credits, insurers have the ability to charge one bank \$50,000 (average rates), an identical bank \$31,875 (preferred rates), and a third bank \$71,875 (sub-standard rates) — all for the same coverage.

Said another way, the same insurer can choose to charge you \$31,875, \$50,000, or \$71,875 for your insurance. Underwriter’s choice. Premium depends on insurer preference, your desirability, and (perhaps most importantly) what the insurer thinks they need to do to keep or get your business.

Negotiate your premiums. Negotiate the coverage. Ask for coverage enhancements while keeping the premium the same.

Negotiation before your coverage is bound is the most underused tool in insurance buying.



## **HAVE YOU BID YOUR INSURANCE RECENTLY?**

Competition among agents and insurers is the key to getting the best price, coverage, and service. Let the nudge of competitive pressures push them to work harder for you.

Competition means that nobody is sure who will win, and everyone could lose.

Having your insurance agent get multiple quotes from many insurers injects some competition into the process. However, having two agents fighting it out means that the gloves are off and everyone is in there scrapping for your business.

One agent with multiple insurers is not pushed to get everything from the insurers—he may get what he can, but he is not forced to get everything.

One agent quoting multiple insurers can get away with accepting the quotes he is given and presenting them to you.

When there are multiple insurance agents competing for your business, multiple phone calls are made. Supervisors are called in. Everyone scrambles because they have no idea what the other agent is presenting and nobody wants to lose.

When multiple agents are involved in your account, vying for your business, insurers are called at the last minute and asked for a bit more credit and a bit more coverage.

However, you are not well served by bidding your insurance every year. The process is exhausting for agents, and it involves the resources of your bank. Agents who compete and do not win will resent the work they put in for no reward. The insurance company underwriters will also feel left out. Bidding every three to five years is an effective course. It gives you a chance to see the work your agent does for you. You get to build a relationship with an agent and insurer.

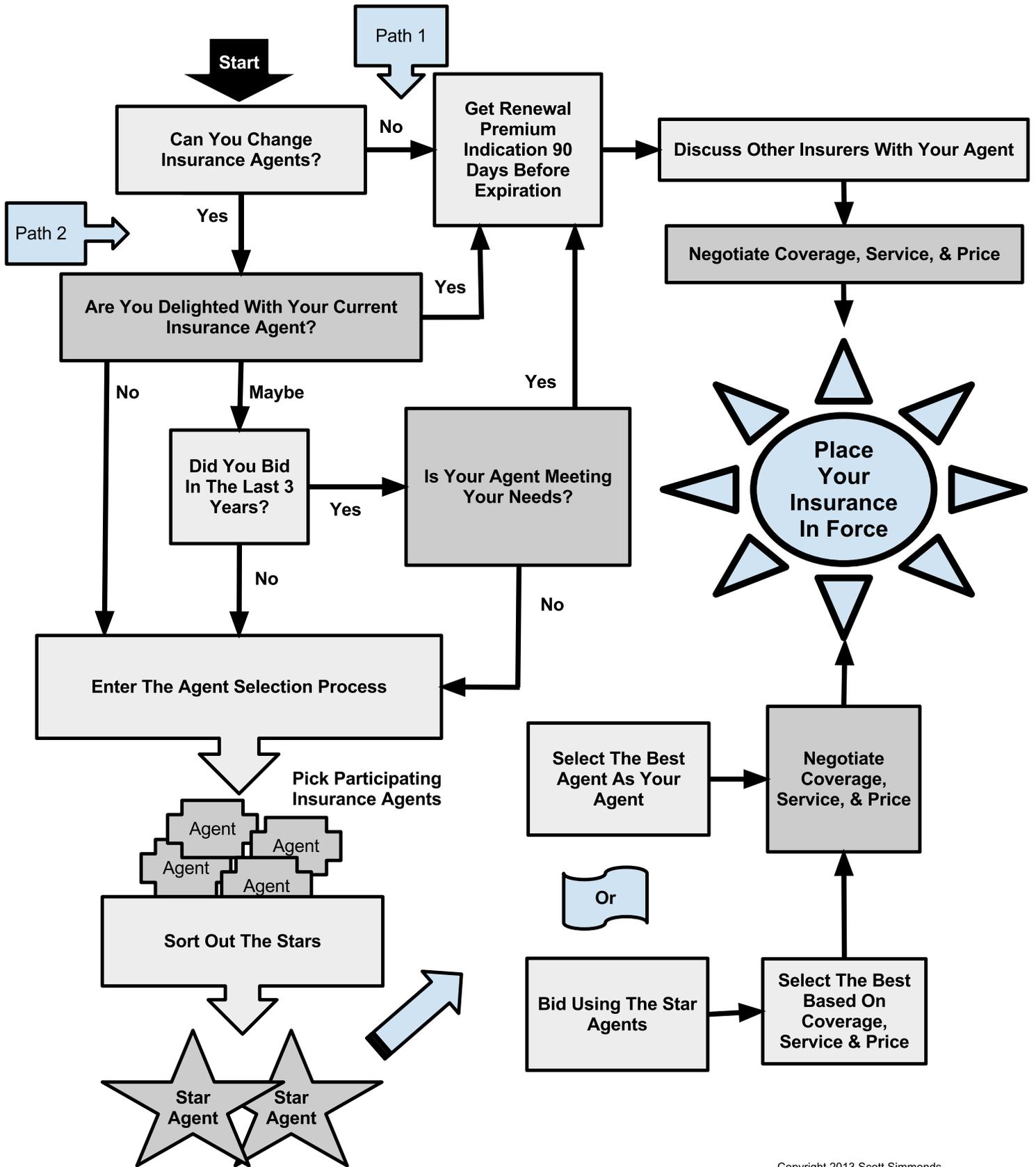
### **RENEWING WHEN YOU DON'T BID**

So you're in-between bids, meaning that you bid your coverage within the last few years. Follow the process I described above in the discussion of what to do when you can't change agents:

- Start the renewal process early.
- Insist on getting premium and coverage indications from your agent and insurer 90 days before your program expiration date.
- Talk with your agent about other insurers.
- Negotiate, negotiate, negotiate.

The insurance you have now has little to do with the insurance you'll have after renewal. An aggressive, strategic process of reviewing your exposures and working with insurers will lead to the best coverage, service, and price. Isn't that what this is all about? ■

**PATHS TO INSURANCE-RENEWAL SUCCESS**



Copyright 2013 Scott Simmonds

**STAY CURRENT ON BANK  
INSURANCE ISSUES.**

**JOIN OUR INNER CIRCLE FOR  
FREE, PRACTICAL INSURANCE  
ADVICE DELIVERED DIRECT  
TO YOUR INBOX.**

**EMAIL  
SCOTT@SCOTTSIMMONDS.COM**

**Simmonds on Bank Insurance**  
Consulting On, But Never Selling, Insurance  
20 Sofia Road  
Saco, Maine 04072

PRSR7 STD  
U.S. POSTAGE  
PAID  
THE NEWSLETTER  
COMPANY

## “Does Your Insurance Make The Grade?”

A new (and free) practical tool to help you quickly evaluate your bank's insurance program. This simple 15-minute survey will help you quickly evaluate the overall strength of your insurance program. It's free, and takes about 15 minutes to complete. Get your copy at [www.ScottSimmonds/bankgrade](http://www.ScottSimmonds/bankgrade). No obligation, no signup. ■

### **Value My Clients Get:**

- |  |  |
|--|--|
| <input type="checkbox"/> Better Insurance      | <input type="checkbox"/> Attentive Insurers    |
| <input type="checkbox"/> Greater Understanding | <input type="checkbox"/> Unbiased Advice       |
| <input type="checkbox"/> Better Premiums       | <input type="checkbox"/> Easier Administration |



## No Sales — Never A Commission

I never sell insurance. I never accept fees, gifts, or commissions from insurance agents or insurance companies. I hold no investments in insurance companies. I don't even let them buy me lunch. I work with hundreds of banks every year, from \$25m in assets to \$8b. I work with hundreds of agents every year in my efforts for my bank clients. My practice focuses on the insurance and risk management needs of financial institutions. I'm the unbiased financial institution insurance expert. ■

### **Unbiased Bank Insurance Review Process**

A review of your bank's insurance tells you right where you stand. You'll learn the strengths and weaknesses of your insurance. You send me your policies and I review (and drink lots of coffee during). We get on the phone and discuss issues and remediation strategies. Pick up the phone or send me an email. Let's talk about your bank. No obligation. Solid advice. ■

Copyright 2013 Scott Simmonds | ISSN 2159-7596

**[www.BankInsuranceConsultant.com](http://www.BankInsuranceConsultant.com)**

**[Scott@ScottSimmonds.com](mailto:Scott@ScottSimmonds.com)**