

Healthy Competition

Don't automatically renew when your insurance contracts expire—put your business out to bid to get a better deal

By Scott Simmonds, CPCU, ARM

Here's an insurance tip that can save you 20 to 40 percent on your premium: Next renewal, get quotes from other insurance companies and insurance agents.

The one sure way to control your workers' compensation, property, liability, auto, and professional liability insurance is to put your coverage out to bid. Put your insurance agent in a spot where he might lose the business. Pit two agents against each other and let the fur fly. Over the past six months I have seen dramatic savings by insurance buyers who put their insurance out for competitive proposals. Twenty percent reductions are the average. Several Maine businesses have seen premiums drop by 30% or more. The record I've seen in the past year is a 65% drop. In all cases cited coverage improved at the same time premiums declined.

The key is competition. The above quoted improvements don't seem to happen when the agent renews with the same insurer. I also don't see great improvements when an agent bids coverage with other insurers he represents. The fear of losing your business motivates your current insurer and agent. The hope of gaining your account spurs a competing agent to do great work.

I have to be fair here. Some commercial insurance buyers have seen increases even with a bid process. Construction companies, healthcare facilities and apartment owners continue to face a tougher insurance marketplace. However, well-run companies with a history of success still can realize gains in premium and coverage by competition. In all cases, premiums, though higher than last year, are lower than they would have been without competition.

1. Start the process early

The bid process takes time and attention. Start the process at least 120 days before your insurance expires. Gather information on your current coverage, claims, vehicles, and property. Project your payrolls and sales figures for the next year. Gather a complete list of employees who drive for you.

2. Select an agent to compete against your current representative

Interview several to learn who can provide you with the services you require. Talk with your trade association to learn if they have a sponsored insurance program or agent. Meet with the prospective agent and determine if her approach to service lines up with your expectations. Find out what insurers she represents. Talk with current clients of the prospective agent. There are many fine insurance agents in Maine. There are also some terrible insurance reps. Do your homework.

3. Assign insurers to specific agents

Don't work with more than two agents. It confuses the process and will hurt your prospects of success. The insurance marketplace has a unique impediment to competition – most insurance companies will only provide quotes to one agent in a bid process. For most businesses there are only five or six insurers who will take a serious interest in your account. Having more than two agents splits the pie too finely. Ask the competing agents for a list of insurers they want to use. Assign insurers to agents before agents approach their underwriters.

4. Manage the bid process

Keep the bid process fair. Do not divulge competing premiums until the process is complete. Don't give agents a second chance if their premium is uncompetitive. You entered the bid process to find out who can do the best job for you. Letting agents see the competition's quote subverts the integrity of the process. Tell the participants that you expect their best price and coverage up front.

5. Select the Right Program

The toughest part of the bid process is the last part – selecting the right insurance program. You will have quotes from two agents. Both will claim to have the best coverage and service. You have to review the coverage, ask questions, and build an understanding of what is important to your business. Don't divulge competing premiums.

Your decision should not be based on price alone. Compare coverage and the services of the agents and insurers. Ask yourself whom you would want in your corner if your business were to have a major fire?

In sandlot baseball the rule is always "a tie goes to the runner." The same is true in most insurance bid projects. All things considered, if the coverage is comparable and the premium is close, stay with your current agent. However, if, in the process, you learned that your agent has not been as attentive as he should have been, it may be time for a change. You want the best agent and program working for you at the end of the process.

The property and casualty insurance market is vibrant, healthy, and competitive. Obtaining competitive bids can put the power of the marketplace to work for you. The result can be a better program, a better price, and better insurance service for your company.

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