

Provide Risk Management— NOT Insurance!

By Chris Burand

An August 2000 *Inc.* article entitled “Bug Your Broker—Vigilance lowers insurance costs” began, “Insurance costs are a nuisance for every small-business owner.”

Think about that sentence and what it strongly implies. “Insurance is a nuisance and every small-business owner must pay for a nuisance.” What other nuisances do our clients pay for? Ambulance chasing attorneys is the only thing that comes to my mind. This places us in some fine company!

So how do agents overcome this horribly negative connotation? Independent insurance agents must stop selling insurance! No future exists in selling insurance. It is a dead-end game. The future is in risk management where an actual insurance policy may or may not be involved in minimizing a client’s risk.

To date, many agents have not adequately assessed their clients’ risks. As a result, they have done a really poor job minimizing their customers’ risks. For example, the above mentioned *Inc.* article went on to describe a company with 60 employees spending \$75,000 annually on insurance. The company’s broker does not appear to have ever completed a renewal questionnaire, instead he always renewed the account “as is.” The company paid premiums on four vehicles when it only had three. Employees were classified incorrectly and they had a policy they did not need (or at least their new broker convinced them they did not need it for which I hope he had a big E&O policy). The company cut \$10,000 from its premiums, but more importantly, the client, not the agent, had to instigate the renewal reviews!

The agency, and in particular, the producer should be doing reviews annually, especially for accounts of this size. It is the producer’s job to review the risk every year. This is why they get renewal commission (and if they don’t do it, why pay them renewal commission? Anyone can renew an account “as is.”). It is the producer’s job, not the client’s, to make sure all property is insured and that property that does not exist is not insured. It’s the producer’s job, using mandatory coverage checklists, to identify all the coverages clients need. Simply quoting the coverages the client already has is lazy and unprofessional. The goal must be to minimize the client’s risks at an optimal price.

Also identify risk mitigation alternatives. The alternative market already has almost 50% of the commercial market. Have you offered your clients alternative market solutions? If you don’t, someone else will. In the last eighteen months, I have seen a very fine agency lose several of its choicest accounts to other agencies offering alternative market solutions.

The following are risk management Web sites worth checking out:

www.irmi.com - International Risk Management Institute: contains information on legal trends, company ratings, and insurance matters.

www.nonprofitrisk.org - Risk management for non-profits and government entities.

Because many producers fail to adequately minimize their clients' risks and fail to review risks annually, great opportunities are available for the taking. For example, a great fee-based service could be to create a service auditing clients' insurance coverages. Agencies have found such activities very lucrative. Also, clients do not consider such a service a nuisance because you are saving them money rather than taking their money.

Minimizing customers' risks is the future. Customers do not want to buy insurance. They want someone to help minimize their risks. Minimizing risks involves solving problems. In today's complex business world, an insurance policy is only part of the solution and since it is only part of the solution there is no future in it. We have to provide the entire solution.

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NOTE: None of the materials in this article should be construed as offering legal advice, and the specific advice of legal counsel is recommended before acting on any matter discussed in this article. Regulated individuals/entities should also ensure that they comply with all applicable laws, rules, and regulations.

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