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There are only a select number of insurers for hospitality today, and it isn't difficult for a broker to talk to you about reducing the price of insurance, or bring you the "hot market" of the week. What they don't have, however, are the resources to reduce your **Total Cost of Risk**.

Studies show that only 20% of a company's insurance related costs are actually in their premiums. The true costs come when a client experiences even a single incident leading to a claim. Consider just a few of these items that make up your Total Cost of Risk:

1. Deductibles;
2. Premium increases resulting from a claim;
3. Availability of insurance - Signs are already pointing to the next "hard market"; insurance will not be available to every bar owner;
4. Costs associated with meeting adjusters and lawyers (both by owners and staff);
5. Uncovered, under-insured or un-insured losses;
6. Potential WCB claims if staff are involved in an incident/ WCB premium increases;
7. Loss in Brand Name - Revenue loss associated with publicity of an incident at your establishment.

Ask yourself two questions: Does my broker offer any Risk Management services that can help me **prevent** a loss? And, if we have a catastrophic loss, has my broker demonstrated that they offer any **claims services** beyond simply calling the Insurance Company to assign an adjuster?

I came across the attached article regarding selecting a broker. Lloyd Sadd Insurance is one of the largest independently owned Insurance Brokers in Alberta, and we are specialists in the Hospitality Industry. I look forward to discussing the services our firm can bring to your company. If you have any questions about this or any other insurance matter, please contact me directly at 780.930.3811.

Sincerely,

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Risk management partners

Key considerations in selecting an insurance broker

By Marcia Passos Duffy

Business owners often have the mis-perception that their insurance broker exists solely to access markets on their behalf and not much else.

The truth is that brokers provide a variety of transactional services and, more importantly, consultative services that can shape the future of a client's risk management program. As such, the broker should be thought of as the buyer's risk management partner, says Don Miller, regional director of global and national accounts for Arthur J. Gallagher & Co., the world's fourth-largest insurance broker, with Risk Services Division offices in Miami.

"If your broker just sells you insurance, you are missing many services that can save you money," says Miller.

Smart Business spoke with Miller about the importance of risk management and how insurance brokers can help business owners save money.

How do buyers typically select their broker?

There are two ways that buyers select an insurance broker: through competitive bidding or through a broker selection process.

Competitive bidding can identify the 'market of the moment' in terms of new entries into a particular line of coverage attempting to garner market share through competitive premiums and terms. The governing criterion here is price. It is a matter of responding to a set of specifications that may be good, bad or incomplete with little involvement with the client's company or management. The overlooked costs are continuity of coverage, claims settlement, and — often more importantly — slotting a company as buyer of price. There is no incentive by the broker to be creative, analytical or present a new alternative, and broker services are not typically offered.

Broker selection is a well-structured systematic approach to selecting a broker that offers the best resources and experience in the buyer's industry with extensive industry clients to validate their experience and broker success. This is the better of the two options.

What are some key considerations in using the 'broker selection' process to select a broker?

Niche-specialist value — The broker should be able to clearly state how it will bring value-added solutions to the process for this business niche. In today's world, knowledge of the client's industry is as important as insurance knowledge; therefore, the broker should be able to demonstrate that it specializes in a client business or specific lines of specialized coverage.

Team participation and credentials — The servicing team should feature a strong team leader with a hands-on commitment to the account. Be sure to verify team member presentation involvement versus

actual involvement. A client process management system that involves the buyer and broker setting responsibilities and establishing timelines is also important.

Client lists — A broker's credentials are best served by a review of its client list, especially clients of your size and industry.

Reputation — Review the broker's local, regional and national key market premium volume. Check the broker's carrier solvency standards.

Personal interviews — Make sure you actually interview the broker with your key decision-makers. The broker's presentation during this interview should be well thought-out and customized to your particular situation and include risk management function of the insurance program.

How does the risk management function relate to insurance?

The risk management decision-making process is really the same decision-making process that businesses use to ensure continuity of their operations.

Identify risk of loss. Quantify risk of loss in terms of frequency and/or severity. Develop alternatives for the treatment of risk (i.e. eliminate, retain, contractual transfer, insurance transfer). Select the optimal alternative risk management plan at an economical cost. Close the loop by periodically revisiting the loss exposure and adjusting the treatment method used. Manage claims and prevent and reduce future losses.

Your broker should be involved in all phases of the risk-management process and must have a thorough knowledge of the buyer's business/industry.

What does the buyer have to do to put some skin in the game?

Don't start the process if you have no real thought of changing brokers and are not encouraging creative ideas to enhance your program.

Share useful information up-front with all brokers, recognizing that the incumbent has an edge in this department if adequate information is not provided to all competing brokers.

Focus the brokers on the evaluation criteria; keep it from being 'fuzzy.' Allot adequate time for the entire process, especially the broker team presentations. Establish value rather than cost of the broker's services as the selection governing criteria.

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