



14 Tips to Maximize the Value of Your Commercial Insurance Protection

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Many buyers consider insurance to be a necessary evil.

But one of the great experiences of our job as insurance brokers, is to face somebody who has just experienced great trauma, even disaster -- and be able to explain to them how we are going to help put their life back together. That of course, is why our clients buy insurance from Knox.

Here are 14 tips to help you get the most out of your insurance protection

- **Count on Us to be a Trusted Advisor** - You've paid us a commission (or in some cases a fee) to be the insurance buyer and risk manager for your operation. We can provide advice on a range of issues, and will always be your advocate when and if a claim occurs. Don't be afraid to engage us in any issue which may have a risk management implication.
- **Understand the Roles** – Insurance coverage can involve several different “players”. As your broker, we are responsible to manage these relationships on your behalf. All of your coverage may be with a single insurer or, for reasons that we should make clear to you, we may have utilized different insurers in your program. In turn, each of these insurers use reinsurers to help spread the risk, particularly in catastrophic loss situations.

When a claim occurs, a claims adjuster will be assigned to manage the process, but may engage restoration contractors, appraisers, lawyers or other investigators to have you reimbursed or properly protected.

As your broker, we are always your primary contact and resource when it comes to any issue relating to insurance or risk management.

- **It's All About Risk** - It has been suggested that every business manager engages in two primary tasks:

- to prudently deploy resources
- to recognize, and wisely manage risk.

Managing risk involves understanding, evaluating, quantifying and responding to the threat of risk. It can sometimes be expressed as follows:

$$\text{risk} = \text{probability} \times \text{severity}$$

In other words, *probability* considers how likely is an event or occurrence to take place; *severity* would be the metrics used to measure the extent of the resulting loss.

We encourage our clients to be *risk sensitive* not *risk adverse*.

- **Know your Loss Ratio** – One of the most vital pieces of information to any insurance underwriter, is to know the past history of how an account has performed when premiums paid are stacked up against claims made.

Underwriters usually want to know the ratio of claims to premium over a 3-year and/or 5- year period. Secondly, underwriters pay attention to claims frequency.

Therefore you need to know how many claims are on your “record” and what loss ratio they produce.

- **Promptly Report all Claims to your Broker** – Clients sometimes are reluctant to report losses as they are concerned about issues of claims frequency and loss ratio. However, as your broker, we can give you advice on the ramifications of alternate options, and together decide whether the claim should be presented to the insurer. Ultimately this is your decision. Except in rare circumstances where we are compelled to act differently, we will not advise your insurer of a claim unless you have given us permission to do so.
- **Use your Broker during the Claims Process** - There can be several players involved in the processing of any claim (adjusters, claims examiners, appraisers, investigators, lawyers, restoration contractors, etc.) Your broker is your advisor and advocate in this process. Please call us to explain the process, or if you are unsure that the claim is moving forward as you think it should.
- **Be Deliberate with Deductibles** – We have many clients who would not think of submitting a small claim, because they don’t want to damage their loss record. However, that sensible thinking should be supported by carrying higher deductibles.

If for example, you would not submit a claim that is less than \$1,000., why would you carry lower than \$1,000. as your policy deductible? Higher deductibles reduce premiums.

- **Insure to Value** – It is critical to understand concepts like the co-insurance clause, actual cash value (ACV) and replacement cost. Even if you don't remember the definition of these concepts through the year, have us review again with you each year at renewal.

This will help you to make better decisions on how much insurance to carry. There is no benefit in being over-insured; however, more sometimes we encounter situations where clients are left to make tough decisions because a loss occurred for which there was inadequate insurance.

- **Always be Aware of Managing Risk** – Risk Management is a concept that is often thought of as belonging only to large corporations. However, *every* business encounters risk *every* day. The ability to manage risk is an important component to business success. We can be a significant advisor in risk management discussions.
- **Contracts and Certificates of Insurance**– Whenever you are asked to sign a contract that has an insurance component to it, we are available to review the documents and provide advice. Make sure you understand what you are being asked to sign, as many contracts requesting “waivers” or “hold harmless clauses” require you to take on more risk than you would normally shoulder under Canadian common law.

Many contracts will require you to supply a Certificate of Insurance; these may seem benign, but are also often used to transfer liability and risk – the contract provider's risk gets transferred to you!

There may also be situations where you should be asking for Certificates of Insurance, and we can help to manage this process with you.

- **Loyalty is a Factor** – As your broker, we are attempting to place your business in the best possible light, when presenting to an underwriter. Loyalty helps to make any account attractive; however, it is our responsibility to shop your account whenever we think there may be value to you in doing so. Providing us with additional information, also helps to put your risk in the “best possible light” (strategic plans, financial statements, property appraisals, business continuity plans, vehicle maintenance schedules standards, quality assurance standards, etc.)

- **Annual Review** – Depending on the size and complexity of your operation, multiple reviews may be necessary. However, every business should engage in an annual coverage review that answers the following questions:
 - how does this premium compare to the expiring premium and why?
 - why are we insuring with this particular insurer?
 - what operational changes have occurred to warrant additional risk review?
 - what other types of coverage not presently included, should be considered?
- **Budget for Premium Fluctuations** – Like many industries, general insurance pricing is affected by “market cycles”. The last four market cycles in Canada have each been approximately 7 to 8 years in duration. During a cycle, hyper-competition may drive pricing artificially low – but there is always a rebound. Budgeting for price fluctuations is prudent, long-term thinking.
- **Retain Old Insurance Documents** – Some of our clients have encountered claims that surfaced only 20 or 30 years after the alleged incident. If you are tempted to destroy old documents for the sake of space, please consider the position you would be in should a decade’s – old claim first reach your attention today. It doesn’t happen often – but it does happen.

About the Author



Randy Bushey was appointed General Manager of Knox Insurance Brokers in 1988 and has over 30 years experience in the general insurance industry. Throughout Randy’s tenure at Knox, the company has grown to 40 employees and now includes MIS Municipal Insurance Services specializing in municipal and First Nations accounts. Although Knox Insurance Brokers is based in North Bay, the company has grown clientele to include accounts from all over Ontario.

Randy is a Chartered Insurance Professional through the Insurance Institute of Canada, and has served as President of the local Chapter of the Insurance Brokers Association of Ontario. He is currently Senior Vice President on the governing council of the Insurance Institute of Ontario, the industry’s primary technical, management, and risk management education entity.