



WORKSHOP PROVIDES INSIGHTS ON COMMERCIAL INSURANCE

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Insurance industry veteran Ken Carey gave participants at the firm's May 19 workshop on "Current Trends in Commercial Insurance and Risk Management" an insider's perspective on what they should look for in purchasing insurance, the expectations they have for their agent, and specialized insurance products that are growing in importance to business owners.

Carey told the group that insurance rates are cyclical. During the four years following the September 11, 2001, attacks, the insurance industry raised rates. Since 2005 rates have remained fairly flat. "If your exposures are good and you're paying more, you should be asking questions," he advised attendees.

Even for agents that represent different underwriters, it's a good idea to start your shopping from scratch. Most agents will want to take a prospective client through a five-step risk management process addressing the following points:

- Risk Identification – the process of indentifying the potential sources of loss faced by a business;
- Risk analysis – the assessment of the potential impact that various exposures have on a business;
- Risk Control – any action the business takes to minimize the possibility of losses affecting the business;
- Risk Financing – the acquisition of capital to pay for losses that affect the bushiness via risk transfer and/or risk retention;
- Risk Administration – planning, implementing and monitoring the risk management program.

The agent will analyze the results and make a recommendation to the business owner, including an analysis of the cost.

In selecting an agent or broker, Carey suggested that business owners or CFOs consider the following criteria:

- Experience and technical training of staff responsible for handling your account;
- Experience with others in the same trade group
- Representation of two or more underwriters that can handle your company
- Turn over of support staff as well as lead agent
- Fee versus commission compensation
- Favorable references
- Apples-to-apples shopping

The most important thing you're paying an agent for is his or her advice, and you have a right to know how much your agent earns from your account, Carey advised. So make an inquiry and then make a determination of whether you feel the agent is giving you sufficient advice and enough of his or her time for their commission. Some types of insurance, such as professional liability, is low maintenance, and the lower the maintenance, the lower the fee should be because less time is being devoted to servicing the account.

If you are a large insurance buyer, you have the option of a fee in place of commission, Carey said.

Carey pointed out that most business owners know about their basic insurance coverage, but few take the time to find out about what's not covered. "You should know your policy exclusions," he stressed.

In addition, there are other types of insurance that are becoming more critical for business owners to have. Carey recommended workshop business owners explore the following eight commercial insurance products if they don't have these types of coverage:

- Cyber Liability Insurance – addresses first- and third-party risks associated with e-business, the Internet, networks and IT management.
- Employment Practices Liability (EPL) – covers claims from employees related to discrimination, sexual harassment, wrongful termination and breach of contract.
- Directors and Officers Liability (D&O) – provides for the directors and officers of your company in the event they are sued in conjunction with the performance of their duties in those capacities.
- Contingent Business Income – reimburses a company for loss income related to direct damage at the location of a key supplier or customer.
- Crime Insurance – in addition to employee theft and robbery inside and outside the premises, insurance for computer fraud and fund-transfer fraud should be considered.
- Flood and Earthquake – review insurance property exclusions.
- Hire and Non-owned Auto Liability – covers liability claims related to employee-owned or hired autos.

Carey indicated that perhaps the single most effective thing a business owner can do to reduce insurance premiums is simply ask his or her agent. While agents may make more money on higher premiums, they also want to keep your business, and proposing ideas to lower your costs is one of the most effective ways they can do that. If you haven't had that conversation with your agent recently, set up a call or meeting right away.

Carey is managing principal of property and casualty at Lauterbach & Eilber Insurance and Financial Services in Columbus. He has a bachelor's degree in risk management and insurance from Ohio State University and has 30 years of experience in the property and casualty industry.

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