

the professional advisory

Information and Risk Management Ideas for Insurance Agents and Brokers

Top 5 Risk Management Practices

As an insurance professional, risk management is an integral part of what you encourage clients to practice. Good risk management protects their business and their reputation while allowing them to focus on business...rather than being distracted by claims. Insurance professionals are no exception.

And since you're an insurance professional, you can get too focused on risk avoidance and prevention. So it's important to identify the key risk management practices to get the most desirable return for your efforts while avoiding the most catastrophic losses.

What are those key risk management practices all insurance professionals should adopt to manage their business and help prevent costly errors and omissions? Here are our top five:

1 Use a coverage checklist. A standardized checklist ensures that you've walked through the coverage with the same thorough approach every time you talk to a client. It also serves as the basis for documenting your discussions about coverage. The checklist should contain a place for the client to acknowledge any coverage they decline to purchase. The checklist should be signed and dated by you and your client and retained in your file.

2 Documentation. Conversations are the basis for much of our business, but we've all had experiences where someone else has interpreted a conversation entirely differently than we did. Additionally, memories fade. To ensure everyone is on the same page, and that you have something to refer to later, always follow up conversations

review it. Compare it to your file documentation. Be sure it reflects what you asked the carrier to provide and what you sold to your client. Promptly address any problems noted in writing and keep your client informed. Make sure you have a diary system to receive policies and endorsements bound with carriers.

To ensure everyone is on the same page, and that you have something to refer to later, always follow up conversations with written documentation

with written documentation. Send a letter or email summarizing your telephone discussion or meeting, and confirm any agreements made or actions agreed upon, either by you or the other party. Be specific. Retain the documentation in your file.

3 Check policies & endorsements. Mistakes and oversights happen. When you receive a policy or endorsement from a carrier, take adequate time to carefully

4 Know your carriers. Insolvency is a serious problem for your clients, and therefore for you. Your clients rely on you to recommend the most appropriate carrier and coverage for their needs. Monitor your carriers' ratings and financial status as well as news and press releases. Pay attention to their staffs' behavior; don't dismiss widespread dissatisfaction or consistently poor service. Watch for indications of delays or failure to pay claims. All this

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may happen occasionally, but when you start to see several incidents occurring at once, your radar should go up. Pre-qualify acceptable carriers, have a process to keep your information current, and be sure your client knows and understands their carrier's rating. Also, have a process for communicating with clients when a carrier's rating drops.

5 Written procedures manual. Even the smallest agencies have some employee turnover. Over time, verbal messages get distorted or lost altogether. Agencies need

written processes for everyone to follow to ensure consistency. A written process ensures employees can fill in more effectively when needed, have a better sense of current status and know what still needs to be done. Procedures need to be in writing, to address all aspects of workflow and processes, and to be updated by the owner to keep them up-to-date. To be truly effective, the procedures need to be implemented and followed by all employees. A manual that no one has read and doesn't follow is not a risk management tool.

Like your clients, you cannot afford a damaged reputation, high insurance costs or the unavailability of coverage, as all of these can put you out of business. Your business may suffer if you have to redirect efforts and instead deal with claims issues. Your business is founded on relationships, professionalism and trust—both with your carriers and your insured clients. Employing basic risk management practices will help you preserve your assets. These practices also help to prevent costly errors and omissions claims, they provide you with better tools to address those that may arise and help mitigate their severity. ♦

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