

INSURANCE COUNCIL OF BRITISH COLUMBIA

Notice to all General Insurance Agents

BROKERING IN A DIFFICULT MARKET

In the past few years there have been significant changes in the Property & Casualty (P&C) insurance market that have resulted in a number of challenges for both insurance companies and brokers. Hard markets, reduced capacity, and fewer markets have presented brokers with difficulty in continuing to provide customers with the same insurance coverage they have been able to obtain in the past.

Based on feedback the Insurance Council of British Columbia (“Council”) is receiving, it is apparent many brokers find the current market conditions challenging. Consequently, Council has determined brokers may benefit from guidance on how best to operate during this period.

While there are challenges in all segments of P&C business, most problems are in the area of commercial lines. Problems brokers have been experiencing include:

- not receiving renewal information from an insurer on a timely basis. The renewal confirmation may be received on or after the renewal date;
- receiving notification of denial of renewal of a contract just prior to the renewal date;
- having difficulty finding markets for new business; and,
- their clients being unaware of what is going on in today’s marketplace.

After discussions with senior industry representatives, Council has developed the following guidelines to assist brokers in more effectively managing their business during these tough market conditions. While brokers may feel issues are outside of their control, there are a number of steps a broker can take to help ease the current situation and uphold their obligations to clients.

Keep the Client Informed

One of a broker’s primary obligations is ensuring clients understand the current insurance market place, the process required to place coverage, and the types of coverage available. Whether renewing an existing policy or seeking a market for a new client, a broker needs to ensure the client understands current market conditions to avoid misunderstandings or confusion later on.

Renewals

When handling renewals, particularly with commercial lines, brokers should be contacting clients at least 60 days in advance of the renewal date to:

- confirm with the client they have initiated the renewal process;
- explain there is a possibility that information regarding the renewal may not be available until very close to the expiration date of the existing coverage; and,
- where applicable, advise the client that renewing the coverage may be difficult (this could be for any number of reasons) and the client may want to look elsewhere to obtain the desired coverage.



Once the renewal has been submitted, a broker should contact the client regularly to keep the client informed about how the renewal is proceeding and what steps the broker is taking to secure the policy renewal with the best possible terms. This is necessary because:

- a broker should avoid surprising the client with a last minute notification about a premium increase; and,
- more importantly, if there is a possibility that the insurer may choose not to renew the coverage, the client should be made aware of this possibility well in advance of the expiration date.

Failure to keep a client informed during this process can cause a client concern, particularly if the client is informed at the last minute whether renewal coverage will be offered. For example, if a client is told three days prior to their renewal date that coverage is available, but at a 70% increase in premium, they may feel they have no choice but to accept coverage, but feel unhappy with the outcome. Keeping the customer informed of any potential problems from the beginning can alleviate this problem.

The level of communication with the client will depend on a number of factors. A primary factor is the type of risk being insured. There are a number of risks that are becoming more difficult to place today compared to a few years ago. These include effecting coverage for:

- manufacturers with markets in the United States;
- wood-burning stoves;
- rented homes;
- absentee landlords; and,
- earthquake insurance.

A broker should be aware of the types of risks that are exceptionally hard to place and take reasonable steps to ensure affected clients understand the difficulties that may be encountered in attempting to place coverage.

New Business

When attempting to find coverage for a new client, a broker should address specific issues with the client at the outset.

- Does the client have existing coverage, and if so, what is their reason for approaching another broker.
- Are they shopping around for a better rate or have they been told by their existing broker they can no longer service their business.

If the client is “just shopping around”, a broker should give serious consideration to whether there is a realistic chance of finding alternative coverage at a better rate. If it is a market the broker is not currently involved in, has little experience in, or believes there is little chance of getting an alternative quote (or at least an alternative quote with a better rate) a broker should think twice before considering going to the marketplace.



If a broker has little expectation of finding alternative coverage, he or she should decline to go through the process, as it just adds to the demands currently being faced by company underwriters. It is important that brokers take on the role of educating the consumer to make sure they understand the current market situation.

MAXIMIZE YOUR ABILITY TO GET A RISK PLACED

Submit an Application to Appropriate Insurers

One reason insurance companies are experiencing backlogs and delays in providing responses stems from the flood of applications they are receiving from brokers. Feedback from insurers suggests some brokers continue to shop the market by sending applications to every insurer they do (or have done) business with. In some cases brokers are doing this without first determining whether the insurer is still writing that type of business. The consequence is that insurers receive many applications for coverage they no longer provide. Dealing with these applications adds to the backlog for the insurers, and therefore increases their processing time for all applications. Most insurers have reviewed their portfolios and issued announcements regarding what they will and will not write. Brokers need to keep informed and submit applications only to those insurers who are writing that type of insurance.

Submit Only Fully Completed Renewal Applications

When submitting a renewal application brokers can play a key role in alleviating the pressure on insurers by taking a number of steps.

- Make sure your submission is complete and includes all necessary and required information. Do not submit an application that states “further info to follow”.
- Insurers are requiring more information than was requested in the past. Make sure the application has been fully completed. Avoid sending a submission that will require an underwriter to call and request further information.
- Include with your submission other pertinent information, such as; attaching the Insured’s products brochure, pictures of the risk, website information, or details on U.S. sales. This will assist in the timely processing of your submission.
- In addition, indicate:
 - the date you need the quote and an indication of the premium required;
 - the incumbent insurer and expiring premium;
 - provide comprehensive details of all the coverage being requested, i.e., DO NOT say “all the frills”; and,
 - if only parts of coverage requested can be quoted let the insurer know what is acceptable, i.e., a quote on only property is acceptable if you cannot quote on the liability.



Internal Procedures

By adhering to the following suggestions you can expedite the processing of applications submitted.

- Know your markets and keep up-to-date on what they will and will not write. Make sure your staff has this information. Do not market all risks to every Insurer.
- Recognize different insurers write different kinds of risks and send risks to companies that are interested in that type of business.
- Check to see if companies have customized their “New Business Applications” and would prefer that you use them. This could speed the processing of the quote.
- Refer to any manuals and current marketing material the insurer has provided.
- Know your risk. Do all upfront underwriting first, as companies will assume the worst if they do not have the information.
- Make sure updated information is sent to the insurer well in advance of a policy expiration date to give them time to develop a quote.
- Make sure you communicate with the insurer well in advance of the expiry date if you are going to need an extension on expiry.
- Type your submissions and memos. Do not send in hand-written notes.
- Allow a reasonable time for processing of the application before you follow up with the insurer.
- Build a relationship with the underwriters you deal with.
- Ask your companies to give you at least 30 days notice of non-renewals.
- Do not assume a client is covered if the expiry date has passed. If there is any doubt whether coverage is in place, or if you are still waiting for a quote from an insurer, call the underwriter to confirm the status of the file.
- Nominees and supervisors should sit down with their staff to advise them of the types of business they are interested in accepting and the types of business they are not prepared to accept. No one wants to turn away new business, but if there is no realistic hope of placing business, it does little to assist the client or the agency in attempting to obtain coverage.

SUB-BROKERING

Council wants to take the opportunity to remind general insurance agents of its past concerns in dealing with sub-brokering. With the current market conditions, many agents are relying more on sub-brokering. Council has published guidelines regarding sub-brokering transactions that can be obtained through Council’s Fax-on-Demand system by calling our main number and requesting Document number 66 or by visiting Council’s website and viewing the Sub-Brokering Notice ICN #98-003 in the Publications section.

Conclusion

Council’s objective in publishing this notice is twofold. The first is to encourage brokers to review their procedures to ensure they are doing all they can to assist their clients in understanding market conditions and the effect the current conditions are having on their obtaining coverage. Secondly, to let agents know the difficulties insurers are encountering with applications they are receiving.

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