

BIDDING YOUR INSURANCE PROGRAM

Presented by

Steve Bird
Assistant Vice President
McNeary Insurance Consulting
Charlotte, NC

Numerous factors can influence the best timing and method for obtaining competitive insurance quotes. This session addresses key questions many contractors and owners encounter in conducting a bidding process. When is the right time to shop the program? What kind of information do we need to provide to get the best terms and prices? How far out should we start the process? Should one agent or broker be asked to shop all markets, or should different agents be invited to compete? What kind of criteria should we use to select participants? What is the best way to avoid conflicts? Other than price, what factors should we consider in comparing competing proposals? These and other questions will be answered in this timely and informative workshop.

Tuesday, November 12, 2002

You're in charge of business insurance. Now what?

Managing risk now can be more complicated than it has ever been. But it's easier when your insurance broker is Lockton.

Lockton has a proven track record of offering the widest range of services, provided by the best people in the business—people who care.

And they'll do whatever it takes to make sure you get the best value for your insurance dollars.

For an unmatched level of service and experience, look to Lockton.



Insurance and Risk Management Specialists
444 W. 47th St., Suite 900, Kansas City, MO 64112
(816) 960-9000
www.lockton.com

Atlanta • Chicago • Dallas • Denver • Hartford • Houston • Irvine
Kansas City • Los Angeles • New York • San Diego • St. Louis

Steve Bird, CPCU
Assistant Vice President
McNeary Insurance Consulting, Inc.

Mr. Bird is presenting Workshop F, "Bidding Your Insurance Program." He is assistant vice president of McNeary Insurance Consulting, Inc., in Charlotte, NC, and also serves as the editor of International Risk Management Institute's *Risk Financing* reference manual.

His areas of expertise include evaluating risk financing options for liability and workers compensation exposures, self-insurance feasibility studies, property and liability insurance bidding processes, coverage issues, risk management audits, and workers compensation claims administration audits. He has more than 13 years of risk management and property and casualty insurance consulting experience. He has worked extensively with corporate clients in a diverse group of industries including health care, education, finance, manufacturing, construction, real estate, and the public sector.

Mr. Bird holds an undergraduate degree in civil engineering from Purdue University and an MBA from the University of Georgia.

Notes

This file is set up for duplexed printing. Therefore, there are pages that are intentionally left blank. If you print this file, we suggest that you set your printer to duplex.

BIDDING YOUR INSURANCE PROGRAM

Steve Bird
McNeary Insurance Consulting

I. KISSH Principle

A. Objectives for discussion

1. Common sense of approach
2. Realization of, "Why didn't I see that?"

B. The Power of Incentives

II. The Game Plan

A. Insurance Program Specifications

1. Who we are and what we want
 - a) Our story, philosophy, and commitments
 - b) Exposure information and loss data
 - c) Coverages, limits, deductibles, and options
2. How much to divulge
 - a) Pricing information
 - b) Proprietary reports and studies
 - c) Site Inspections

B. Ground Rules

1. Timing
2. Communications
3. Market Assignments
 - a) Fairness
 - b) Conflicting market preferences

4. Enforcing the rules

III. Evaluating Proposals

A. Comparison of Quantitative Factors

1. Pricing
2. Coverage
3. Retention/Deductible levels
4. Different rating plans
5. Financial stability issues

B. Comparison of Qualitative Factors

1. Servicing
 - a) General capabilities
 - b) Claims handling
 - c) Loss control/safety program assistance
2. Comfort/Chemistry

IV. The Decision

A. Weighting the selection criteria

B. Ensuring Due Diligence

C. Special concerns over switching insurers

BIDDING YOUR INSURANCE PROGRAM

Objectives for Our Discussion

- Common Sense Approach
- Why Didn't I Think of That ?

The Power of Incentives

KISSH Principle

Today's Situation

- The current market
- Special Considerations

The Game Plan

Underwriting Submission /
Insurance Program Specifications

Who We Are and What We Need

- Our Story / Philosophy
- Coverages, Limits, Deductibles
- Options
- Exposure Info & Loss History

Ground Rules

- Timing
- Communications

More Ground Rules

- Market Assignments
 - Fairness
 - Conflicting Market Preferences
(*Making / Breaking Friendships*)
 - *Unification*

Enforcing the Rules

- Broker of Record
- Penalties
- Repercussions (Both Ways)

How Much to Divulge

- Current Program Structure
- Pricing Information
- Proprietary Reports and Studies
- Financials
- Site Inspections

Evaluating Proposals

Comparison of Quantitative Factors

Quantitative Factors

- Pricing
- Coverage
- Insurer Financial Stability
- Program Structure

Challenges

- Different Rating Plans
- Different Deductibles / SIRs
- Collateral / Security Requirements
- Payment Options

Comparing Different Rating Plans

Program Cost				
Losses	Option 1	Option 2	Option 3	Option 4
Minimum	\$150,000	\$300,000	\$400,000	\$450,000
\$250,000	\$400,000	\$375,000	\$400,000	\$450,000
\$500,000	\$650,000	\$425,000	\$450,000	\$500,000
\$750,000	\$800,000	\$500,000	\$500,000	\$550,000
Maximum	Unlimited	\$1.2 MM	\$1 MM	\$900,000

Qualitative Factors

- Service Issues
- Comfort / Chemistry

Account Servicing

- General Capabilities
- Accessibility of Account Executive
- Assistance with Claims
- Assistance with Loss Control / Safety

Comfort / Chemistry

- Experience
- Can We Work with Them?

The Decision

- Weighting the Selection Criteria

FUNCTION	WEIGHT	SERVICING OFFICE RATING	WEIGHTED RATING	OTHER OFFICE RATING	WEIGHTED RATING
Cost	20%	5	1.0	5	1.0
Coverage	20%	3	0.6	3	0.6
Financial Stability	20%	4	0.8	4	0.8
Claims Support	10%	3	0.3	3	0.3
Loss/Safety Services	10%	3	0.3	5	0.5
Experience	10%	4	0.4	5	0.5
Chemistry	10%	1	0.1	4	0.4
Total	100%		3.5		4.1

Other Factors

- Due Diligence
- Switching Service Providers

Binding the Renewals

- Written Instructions
- Dear John ...
- Checking Binders
- Follow Up on Policy Issuance

New Policies

- Compare to Quote
- Make Revisions
- Follow Up on Corrections

Final Thought

*Whether the weather is fine
Or whether the weather be not,
Whether the weather be cold
Or whether the weather be hot,
We'll weather the weather whatever the weather,
Whether we like it or not*