

## Workshop W6

*Wednesday, October 31, 1:30–3:00 p.m. and 3:30–5:00 p.m.*

### ***CARE AND FEEDING OF YOUR UNDERWRITER AND BROKER***

Presented by



**Ric Burwell**  
Risk Manager  
Teichert Construction/Teichert Materials

The insurance transaction is highly relationship driven. This session will explore the need to create and nurture strong relationships with your broker, insurers, and surety. Drawing on his experience as both a broker and a risk manager, the speaker will offer practical suggestions for becoming a smarter buyer and manager of insurance services.

- Examines the need for direct risk manager involvement with insurers and sureties.
- Reviews the process of selecting a broker, including key attributes to look for.
- Outlines broker compensation options and makes recommendations based on organizational goals and priorities.



# 5 reasons CNA is the right insurance solution for contractors.

- 1** We understand the construction business and insure a significant share of the industry.
- 2** We provide enhanced critical coverages for contractors that aren't readily offered by other carriers. These include enhancements like wrap around and excess limits coverages for work performed on Wrap-ups.
- 3** We provide Risk Control programs, information and education—via the Web, printed guides and classroom training—that can help identify and reduce your loss exposures.
- 4** Our experienced claim adjusters process claims quickly and fairly and help injured workers get healthy and return to work sooner. Your agent can access cases—day or night—through our Claim Web site. We make certain claim information available, as permitted by law.
- 5** We actively listen to the needs of contractors and constantly look to refine our products and services. One of the ways we accomplish this is through our association with risk management leaders, such as IRMI.

We're a great insurance **partner** when you need us most.

CNA helps manage the unique risks of construction professionals. Our partnerships with trade associations, industry experts and independent agents ensure that we stay ahead of industry trends and develop coverages based on your needs. And with more than 100 years of experience providing Claim and Risk Control services, we're there.

To find out more about CNA, call your local independent agent or visit [www.cna.com](http://www.cna.com).

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**Ric Burwell, CPCU, ARM  
Risk Manager  
Teichert Construction/Teichert Materials**

Mr. Burwell is presenting Workshop W6, "Care and Feeding of Your Underwriter and Broker," on Wednesday afternoon. He is the risk manager of A. Teichert & Son, Inc., the oldest licensed general contractor in California. Prior to joining Teichert in 2001, he was the risk manager of a self-insurance authority comprised of 63 local government agencies. Before entering the field of risk management, Mr. Burwell was an insurance provider for 16 years, working as a casualty underwriter for a major insurer and later as a broker in Sacramento.

He has spoken on bonding, insurance, and risk management to a diverse group of audiences including IRMI's Construction Risk Conference, Construction Financial Management Association, National Recreation and Park Association, Public Agency Risk Managers Association, Cal CPA's Members in Industry, and California Professional Association of Specialty Contractors. A graduate of U. C. Santa Barbara, Mr. Burwell is a Chartered Property Casualty Underwriter and Associate in Risk Management.

## ***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.

# Care and Feeding of Your Underwriter and Broker



Ric Burwell, CPCU, ARM  
Risk Manager

Teichert Construction - Teichert Materials  
Sacramento, CA

## In General

This is not an attractive insurance marketplace for contractors.

- Insurance and bonding are highly subjective and relationship-driven. You can affect the outcome of your insurance and bonding transactions by shaping what your service providers think about your company.
- Reconsider your role: are you **buying** insurance and bonding services or are you **selling** your company to the insurers and sureties?



2

## What Can You Do?

Select providers that **specialize** and **excel** in construction risk management and that fit your company.

Build and nurture personal relationships with them.

### ■ Working with Your Insurer and Surety

- Change the dynamics of the three-party relationship of client, underwriter and broker.
- Make yourself known and liked (or at least respected) by your carriers and sureties.
- Make it really hard for your underwriter to tell you no.

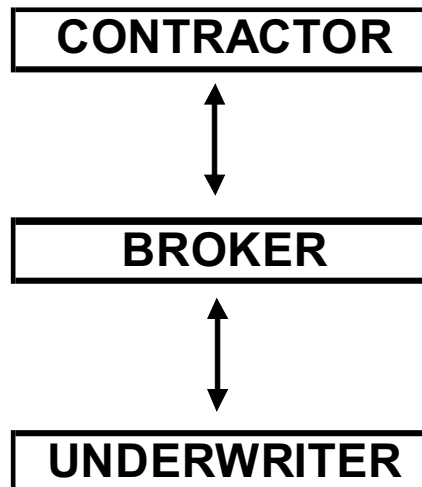


### ■ Working with Your Broker

- Attract
  - Hire
  - Direct
  - Motivate
  - Compensate
  - Evaluate
  - Fire
- (Repeat as needed.)

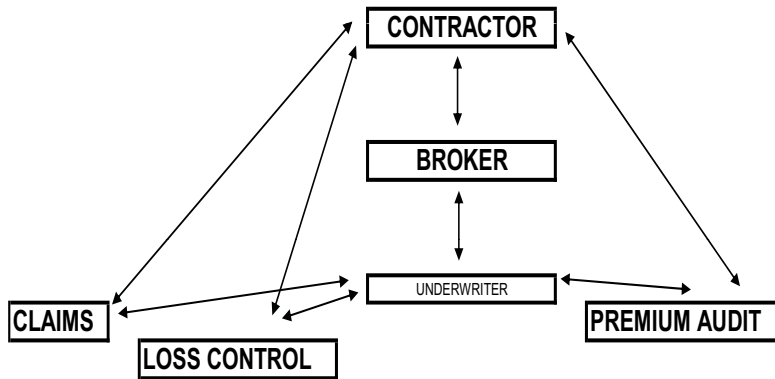
3

## The "Old School" Relationship



4

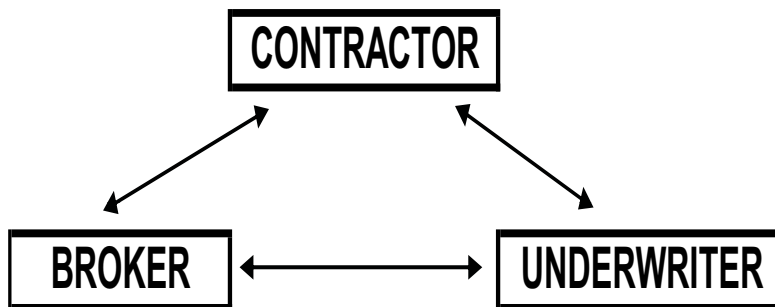
## Old School Relationship (Expanded Version)



In this model, the underwriter has the least direct contact with the client.

5

## Here's Some Good News: You're the Client!



Pop Quiz. What is your casualty underwriter's name?  
Extra credit if her direct phone number is in your PDA right now.

6

## So You're Talking to Your Underwriter: What Does That Mean?

- You want your underwriter to like [or at least respect] you.

- Become the face of your company.
- Make it personal.
- Make it hard for your underwriter to tell you - not the broker - NO.



- Site visits aren't just for the carrier's loss control reps.
- Get your underwriter into some boots and a hardhat. Show her or him the toys.
- Operating a blade or a D9 is a lot cooler than looking at a computer screen!

Don't tell your providers you're the best in the business. Show them!

7

## So You're Talking to Your Underwriter: What Does That Mean?

- Your pricing can be heavily shaped by what the carrier perceives your company to be.

- Business practices
- Financial health
- Zero injury commitment
- Pride of ownership
- Willingness to learn from your mistakes
- Excellence in ALL you do and concentration in what you do best



- Don't let your broker be the sole conduit of information between you and the insurer or surety.

- No one will speak on your company's behalf with more knowledge and passion than YOU!

There could easily be a situation where you change brokers, but retain carriers.

8

## Selecting Your Broker - The Old Method



- This is the *I'm Going to Get All the Quotes I Can and Hope Something Good Comes Out of It* Plan
  - Invite a bunch of brokers to "quote your business." This is a great chance to score some points with the CEO by giving his cousin the nod. You can also pay off IOUs to your Rotary friends.
  - Give them broker of record letters, assigning two or three carriers to each of them.
  - Everybody shows up three days before your expiration and spills quotes all over your desk.
  - Whoever shows up with the best quote from a carrier becomes your broker.

9

## Selecting Your Broker - Why the Old Method Doesn't Work



- There aren't that many carriers out there.
- The carriers who do manage to get submissions about your company won't take them seriously.
- This process does nothing to differentiate what the carrier does from what the broker does. Make the broker prove his or her value.

10

## Selecting Your Broker— A Different Method



- Hire the broker first by means of a request for proposal (RFP) process.
  - You're going to do this somewhere about 150-180 days before your coverages renew.
- Then give that broker the green light to represent you to all insurance carriers in order to bring you the best program.
  - The successful broker will want to have a complete submission to carriers about 120 days before renewal.
- The carriers will take you and the broker you've selected more seriously and probably offer you much broader coverage for substantially less money. You'll invest the savings wisely, allowing you to retire early on Maui.\*

\* Your results may vary.

11

## Selecting Your Broker

- Some preliminaries
  - Are you truly prepared to replace the incumbent? If you absolutely love your current broker, why go through the exercise?
  - Decide whether you will create a short list and make the RFP by invitation only. Or will it be an open audition?
  - Draw a timeline for the process.
  - Delineate your own selection criteria. (*E.g.*, 60 points for written proposal, 40 points for oral interviews). Otherwise, how will you know who won?
  - Secure confidentiality agreements.

**GR8 CONSTRUCTION**  
1234 Main Street  
Sacramento, CA 95828

Direct Extension 916-123-4567

October 31, 2007

Mary Smith  
John Jones  
Neverfail Insurance Services of California, Inc.  
1908 Earthquake Street  
San Francisco, CA 94104

Request for Proposal (RFP):  
Insurance and Surety Brokerage and Risk Management Services

Dear Mary and John:

It is a pleasure to invite Neverfail to present a proposal for GR8 Construction's insurance, surety and risk management representation.

Enclosed is a confidentiality agreement to be signed by an officer of Neverfail. After execution by your office, please keep a photocopy for your records and return the signed original to me. Upon receipt of the executed agreement, we will mail the RFP to you. The deadline for receipt at our corporate office of your written proposal will be 3:00 PM, Friday January 11, 2008, though an earlier return will certainly be welcomed.

As will be repeated in our RFP, we want to emphasize that by presenting a proposal to GR8, you agree to disclose all remuneration paid or payable to your firm as a result of insurance and surety placement and related risk management services for GR8, whether by commission, fee or contingency agreement.

Please contact me with any questions you may have. We look forward to receiving your proposal. Thank you.

Sincerely,

Jim Nazium, CPCU, ARM  
Risk Manager

12

## What's in the RFP?

GR8 Construction, Inc.  
Attn.: Risk Management Department  
1234 Main Street  
Sacramento, CA 95828

**Due Date: 3:00 PM, Friday, January 11, 2008**

- Provide a narrative history of your firm. Please include the number of employees in the principal office that will service the GR8 Construction account, as well as the total throughout the firm. Please include estimated annual revenues for both the principal office and for the entire firm.
- Describe the insurance team that will handle the GR8 Construction account. Provide the name and experience for the staff who will serve as the head relationship manager as well as for the staff who will provide transactional service to the GR8 Construction insurance needs.
- Similarly, describe the surety team that will handle the GR8 Construction bonding account. Describe the broker's role in the relationship between a contractor and its surety. Where do you perceive your firm can bring value to the bonding relationship?

13

## What's in the RFP?

- Measured by annual gross written premium, what are your three largest insurance carriers and your three largest sureties? Please focus your answer to the principal office that will handle GR8 Construction, not to your entire firm.
- From what you have observed about GR8 Construction's insurance placement, what wholesale brokers, if any, would be well-suited to assist your firm in the placement of GR8 Construction's high-limits excess and/or specialty coverages?
- Please discuss your brokerage's experience and expertise with risk management for contractors and construction materials. Your response should encompass in detail the resources of the account team that would work directly with GR8 Construction, but should also include the resources available from throughout your firm.

14

## What's in the RFP?

- Provide the names and contact information (phone, mailing address and e-mail) of three references for insurance and three references for surety. These can overlap if you are the client's broker for both. At least two references should be from large contractors and/or construction materials accounts. At least two references should be from clients whom you have represented at least three years. It would also be desirable, though optional, to present a newer client you have recently acquired.
- Given that you will receive certificate requests from over a dozen, decentralized locations, describe your certificate issuance process and your timelines for certificate turnaround.
- From what you have observed about GR8 Construction's risk management program, describe potential enhancements or changes. Possible areas of attention would include limits adequacy or redundancy, perils covered, retention levels and pricing.

15

## What's in the RFP?

- By presenting a proposal to GR8 Construction, you agree to disclose all remuneration paid or payable to your firm as a result of insurance placement and related risk management services for GR8 Construction, whether by commission, fee or contingency agreement. Please present a one- and three-year remuneration proposal for insurance and surety brokerage services. The remuneration may be a combination of fee and commission, but in no circumstances should earned commissions exceed one-third of the entire, annual remuneration. In general, the proposal would include insurance placement, certificate issuance, bond issuance, annual experience modification calculation and ongoing risk management program review. Please delineate any other specific inclusions or exclusions (*e.g.*, claims review, loss prevention, actuarial analysis,) to your remuneration proposal as you feel appropriate.
- Identify any conflicts or potential conflicts to your firm or individuals within your firm that you would anticipate arising from acting as GR8 Construction's insurance broker.
- Describe what makes your firm unique. What abilities does your firm possess that would differentiate you from your competitors?

16

## RFP Attachments

- Financial info
- Policy info
- Assets & Locations
- Loss info

Name	Size
1st excess 4M xs 1M	1,369 KB
audited financial statements	1,129 KB
boiler and machinery	257 KB
casualty loss history by company and by biz unit	1,120 KB
contractors pollution and professional	126 KB
EPLI coverage (2005-06 policy)	1,969 KB
experience mod calculation	483 KB
five year history of exposure bases	22 KB
GL declarations (1 of 2)	241 KB
GL declarations (2 of 2)	751 KB
mgmt risk - D&O (2005-06)	1,033 KB
mgmt risk - dec and common provisions (2005-06)	1,420 KB
mgmt risk - fiduciary liability (2005-06)	698 KB
nonowned aircraft	71 KB
off road contractors equipment schedule	7,348 KB
on and off road rental schedule	2,407 KB
on road vehicle schedule	4,387 KB
primary auto declarations	310 KB
property and inland marine dec and misc	1,018 KB
property insurance schedule	1,077 KB
rip and tear and misc GL ends (1 of 2)	576 KB
SIR aggregation endt	780 KB
site pollution	154 KB
three year policy list	309 KB
WC actuarial exhibits and appendices	1,408 KB
WC actuarial report	1,366 KB
WC loss history by company and by biz unit	1,358 KB
XS WC declarations	174 KB

We submitted this on a CD to all the brokerage candidates.

17

## Managing Performance



- Annual mid-year stewardship report at or around 6 months
  - Do a report card on the broker. Ask them to do one on themselves. How do they compare?
- Measure the measurables
  - Timeliness and accuracy of certificate turnaround
  - Timeliness and accuracy of policies, endorsements and billings
- Is the broker a salesperson or an extension of your risk management operations?
  - Does the broker offer non-insurance solutions to your construction needs (e.g., higher retentions, better contractual transfer, tighter claims management) or is he or she simply selling more insurance?

18

# Managing Performance

- The mid-year stewardship meeting is also a good time to plan the upcoming renewal.
  - Is this a year NOT to market your account, but rather to negotiate your best deal with the incumbent carrier(s)?
  - Otherwise, what markets will you approach?
  - What are your pricing goals?
  - What coverage enhancements do you need?
  - When must you have the renewal?

You're setting next year's performance standards.

# Paying Your Broker

- Commissions are performance disincentives.
  - The more premium your insurance carrier charges you, the more your broker gets paid? No thanks.
- Flat Annual Fee
- Annual Fee with performance-based incentives
  - Make sure they are objective and measurable.
  - You may have pressures at the end of a coverage year not to pay incentives, even if the broker has earned them.
- Watch out for overrides and other invisible forms of compensation.

**Neverfail Insurance Services**  
*Better than Many Competitors*

1908 Earthquake Street  
 San Francisco, CA 94104

Bill To:  
 Jim Nazium, Risk Manager  
 GR8 Construction  
 1234 Main Street  
 Sacramento, CA 95828

## INVOICE

DATE: October 31, 2007  
 INVOICE # 100  
 FOR: Brokerage services

DESCRIPTION	AMOUNT
Please fill in the amount of your revenues from Construction for the period 10-1-2006 to 10-1-2007	
Please remit that amount.	
<b>TOTAL</b>	\$ -

Make all checks payable to **Neverfail Insurance Services**  
 If you have any questions concerning this invoice, you're not alone

THANK YOU FOR YOUR BUSINESS!