

# *A Guide to Consultative Sales for Insurance*

*Published by International Risk Management Institute.*



**IRMI**



## A Guide to Consultative Sales for Insurance

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September 2021



**I**nsurance sales is a relational business that has elements of both art and science. While the fundamentals and theory can be learned through a variety of books, manuals, or instruction, the art aspect of sales can only be understood through practice and experience. This guide will focus on the scientific side, but it will also provide some comments on ways to improve the art aspects of the sales process.

### Why Consultative Sales?

The basis of insurance sales is to create influence on a prospect so that they may make a purchase decision based on your advice. Most prospects need guidance with navigating

through the complex world of insurance. Whether a prospect requires information before making a purchase decision, is unaware of coverage gaps that can hurt their business, or simply needs someone to reach insurers, a salesperson adds value to the insurance transaction.

The traditional approach to sales typically focuses on the product and its features that may or may not be of value to the customer. While functional for some industries, a product focus is not effective for insurance because insurance is not tangible, nor are its benefits immediately observed. In a traditional approach, the very tangible price is usually the

main feature an insured will be able to distinguish from options presented. Therefore, the most typical strategy employed by traditional salespeople is to offer a program that is similar to what is currently in place at a lower price. Because most prospects perceive all insurance as a commodity, they are usually satisfied with this strategy until prices increase due to a hard market, or another competitor offers a lower price.

Consultative selling, alternatively, is the relationship-driven process where salespeople uncover and provide solutions for a customer's needs. The value of insurance is the ability to manage exposures unique to an insured and the peace of mind that comes with it. Because you are elevating yourself from an insurance salesperson to the level of a trusted adviser, the customer finds value in the recommendations you provide that address the specific needs of the customer. This sales strategy is effective in garnering higher quality sales that are committed longer to your insurance program and are resilient to hard markets and low-cost competition.

The 5-part consultative selling strategy may be used to improve sales success by positioning your service as a partnership that adds value and improves operations and profits. Using the same consultative strategies that initially secured the business can convince the customer you are still providing more value than a marginal discount offered by the competition would. Reviewing previous coverage decisions that were made and readdressing the validity of those decisions can effectively reform the customer's insurance program to fit any changes to their needs. It is also important to remind the customer that your previous service efforts (which may have gone unnoticed) add value to their risk management

strategy. This will highlight the value you bring to the table, and it reinforces you as an advocate of the customer.

## **Part 1: Rapport Building**

Because insurance sales is a relational business, one cannot dismiss the importance of rapport building with customers. As a matter of fact, your business is likely driven by recommendations and reviews from your existing customers. Building and maintaining positive relationships with customers begins with rapport at the initial stages. Rapport sets the foundation of a business relationship and establishes a mutual connection between the salesperson and customer. Colloquially, this is sometimes referred to as "breaking the ice" with the customer in hopes that the customer will open up to the salesperson.

### **Rapport-Building Strategies**

Rapport building is a unique process that differs from customer to customer. Experienced salespeople employ different strategies based on each unique situation that facilitates contact with a prospect. Although this is not an all-inclusive list of strategies, implementing these strategies can be an excellent starting point.<sup>1</sup>

#### ***Taking an Informal Approach***

One of the quickest ways to lose a sale is when the customer closes any conversation with you

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<sup>1</sup>Sources: Timo Kaskia, Jarkko Niemib, and Ellen Pullinsc, "Rapport building in authentic B2B sales interaction," *Industrial Marketing Management* 69 (February 2018): 235-252; Dwayne D. Gremlera and Kevin P. Gwinnerb, "Rapport Building Behaviors Used by Retail Employees," *Journal of Retailing* 84, issue 3 (September 2008): 308-324.

because of a negative perception of sales. Customers are usually of the majority who believe salespeople are ill intentioned (whether that be from past experience or portrayal in media). The best way to handle this situation is to treat the conversation like an informal encounter. That means opening up the conversation with the client on something entirely different from what the sales call is about. Treat the initial contact as solely to familiarize yourself with the customer.

### ***Small Talk***

Though it may seem insignificant, small talk serves to reach a mutual understanding between the customer and salesperson. A simple conversation can make a great deal of difference and create an environment where the customer is comfortable opening up to the salesperson.

### ***Identifying Mutual Interests and Demonstrating Similarity***

Customers are more comfortable around others who exhibit similar traits to their own. Asking about hometowns, favorite sport teams, or hobbies can provide an opportunity to identify similarities between the customer and salesperson. Such similarities can influence the amount of trust and confidence customers have in salespeople.

### ***Courteous Behavior and Unexpected Honesty***

Salespeople who exhibit courteous and honest behavior stand out to customers with strong beliefs against salespeople. The stark contrast from an image of a pushy and rude salesperson to reality will certainly come to the attention of your prospects and will likely lead them to open up and reveal their needs.

### ***Establish Credibility as an Industry Expert***

A variety of studies show that your first impression will determine what others think of you. Like other professions, such as doctors, lawyers, or accountants, agents with experience and a deep knowledge based on their specific needs are preferable to clients. Proving such expertise can be difficult in the early stages of the sales conversation when it is most important. Fortunately, several industry leaders offer certifications and designations that allow you to present this experience by certificate or title.

For those without certifications, a good way to establish credibility is to cite examples of your experience with other customers. For instance, when dealing with a prospect that has retail-related exposures, a story of your most recent interaction with another customer that has similar exposures can help assure the prospect that you know what you're doing.

Alternatively, staying on top of industry news can help demonstrate credibility. Using examples from recent news shows the prospect that you are informed of new changes and are

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always ahead of new exposures that come out of industry news.

### ***Consider Your Online Presence***

An agent, broker, or risk management consultant must consider their online presence because it is likely the client has done research on the agent prior to the initial contact. Clients may already have an impression of you before you can take any action to alter their opinion of you. That is where setting a strong online presence of your brand comes in. Platforms such as LinkedIn, industry associations, online reviews, and your company website can help your prospects form a positive opinion of you before they meet you, which can improve the likelihood of conversion.

### **How To Use IRMI To Improve Rapport**

Rapport building is an especially personal step of the sales process. There is no definitive process or series of questions that will get the customer to open up. In fact, every customer is unique, and the rapport-building process is meant to help the salesperson learn more about the customer. Therefore, it is important for the salesperson to treat each initial contact with the customer differently. However, here are some tips to help you get started.

### ***Staying Informed on the Latest Developments in the Insurance and Risk Management Industry***

Using relevant examples in the news can help the client perceive your credibility and knowledge of the client's exposures. IRMI's various newsletters report on important and emerging developments that enable you to provide practical and actionable strategies to manage risk. Additionally, IRMI's expansive library of expert

commentary dives into important industry topics and offers you valuable insight on problems and solutions relevant to insureds and insurers.

### ***Obtain IRMI Certifications To Showcase Your Expertise in Relevant Coverage Areas***

Another way to show customers your credibility is to invest in certifications that showcase your expertise in specific coverage areas. Clients are more likely to trust and place their business with a salesperson who can show expertise in the coverage areas relevant to them. A certification makes the statement that you understand the complex insurance needs of customers and how to meet them.

### **Case Study**

John is relatively new to the insurance industry. He works as a sales agent for commercial lines insurance. He notices that his prospects tend to be skeptical of his sales presentations. The client's questions typically revolve around how John is sure this is the right program for them or if John has any first-hand experience with insuring the client's exposures. John wonders where he can improve to generate more conversions.

### ***Solution***

It is likely that John didn't put enough effort into building rapport at the beginning of the client-agent relationship. Since the prospects are skeptical of John's intentions or experience, they might see him as untrustworthy or unknowledgeable in the subject area. Although John might find it time consuming and unnecessary, the initial contact with a prospect should focus on rapport building to establish credibility with the prospect. John should spend some time learning about the prospect's interests and sharing common ground to allow the customer

to open up to John. Additionally, John can share some examples of his work with other clients that have similar exposures. Also, John can use examples in the industry news that reflect his expertise on the client's exposures.

Because John is relatively new to the industry, he may consider taking certification courses to showcase his expertise in relevant coverage areas. In doing so, clients will perceive him as an industry expert and will have fewer reservations about his ability to handle their business. His online presence should also reflect all his experience in the coverage areas and highlight his certifications.

### Part 2: Needs Assessment

The value of a consultant is that they conduct a thorough assessment of the client's needs and convert it to an actionable strategy that addresses all of the client's exposures. While it may seem easier to take the role of an order-taker (one who simply offers the client options at different price points without consideration for underlying needs), this approach adds no real value to a transaction. An order-taker risks becoming a commodity, where their value is solely based on the lowest price offered in the market. When prices rise, customers are willing to price shop elsewhere.

### Ask Probing Questions

In the most ideal scenario, your prospects might have some idea of what their needs are. They may list their exposures and their current ways to mitigate them. However, it is more likely that your prospects are not fully aware of all exposures relevant to them. Conversely, the prospects might believe their current strategy ideally handles the majority of their needs but would like guidance on how they can improve.

Probing questions are those that help your clients identify underlying needs of which they are unaware. At this stage, the agent's role is similar to that of a psychologist. The salesperson must ask open-ended questions that allow the customer to assess their current situation and think of the exposures not yet considered. This starts with a broad view of the customer's operations and goals, which eventually narrows in focus down to details that expose coverage gaps the customer may have.

For example, an agent asks the prospect to list the primary functions of the business, to which the prospect responds with, "manufacturing and selling ornate furniture for luxury offices." Follow-up questions should all focus on potential exposures, such as property damage, liability to others, safety for workers, and many more. The agent, in our example, might ask questions like, "Where does the manufacturing take place? What is required for the fabrication, delivery, and installation? Who is part of the assembly or manufacturing process? What type of customers does the client have? Are there any external suppliers that are critical to the manufacturing? What types of business concerns keep you up at night?"

After several probing questions, the agent will make a list of the exposure concerns related to the client's business. Some of these will be exposures not considered by the client previously, which is where the agent provides value to the client.

### Risk Management Process

To help the agent effectively probe for relevant exposures, the agent should employ some steps of the risk management process. The risk management process is a series of 5 steps that help risk managers address and mitigate risk in their portfolio. While some experienced

prospects will have conducted this on their own, it is still important to go through the risk management process to uncover risks that will affect the customer's buying decision. Namely, a proper needs assessment involves the first two steps of the process, *risk identification* and *risk analysis*.

### **Risk Identification**

Risk identification is perhaps the most crucial part of the risk management process because an exposure that is not identified is unlikely to be properly managed. The first step is to identify the exposures, perils, and hazards that exist for the company. While certain exposures are common for all businesses, each company will have certain exposures that are unique to its operations. Consequently, the identification process must look closely at all aspects of the operations and potential loss scenarios to ensure that all possibilities of loss are considered.

**Identifying Values at Risk.** Economic values exposed to loss can be grouped into four categories: direct property losses, indirect property losses, liability losses, and injury to personnel. For direct property losses, listing the value of the property exposed is ideal for identifying value at risk. Indirect property loss, liability losses, and injury to personnel are much more difficult to quantify, as losses can exponentially increase over time. Liability losses include the cost of defending against and paying damages arising out of third parties' claims against the company. Personnel injury involves bodily injury or other types of injuries arising out of employment practices sustained by employees.

**Perils Causing the Loss.** The second step in risk identification is to consider the possible perils that cause losses. Identifying possible

perils is typically more difficult than identifying values at risk because perils can come from anywhere. They are generally grouped by source into natural, human, or economic perils.

### **Risk Analysis**

Once the risks have been identified in the first step, they must then be evaluated according to their expected impact on the company's goals in the event a loss occurs. The impact of a specific loss on a company can vary based on that company's goals and financial position. What might be a significant loss to one company may be of little consequence to another. Goals may cover a range of different objectives, such as complying with legal requirements, maintaining uninterrupted operations, making a profit, or achieving growth.

Risk analysis involves estimating the probable loss, maximum possible loss, and the likelihood of losses occurring. These estimates are very important to weigh the exposures and their significance to the customer. A risk that has a low likelihood of occurring and has a low probable loss is less important than a risk that is likely to occur and has a high probable loss. The weights of each risk will depend on the customer's goals, and it is the responsibility of the agent to factor these when determining appropriate risk control, risk finance, and risk transfer (e.g., insurance and contracts) tactics to program to recommend.

### **Other Needs To Address**

Apart from coverage needs, customers have quality-of-life or intangible needs that should be discussed as well. Claims handling, insurer ratings, financial stability, reputation, and agent availability are all non-coverage-related



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needs that play huge factors in the customer's decision. These needs are best addressed by asking the customer directly if the criteria affect their decision. For example, you may ask how the customer's past claims experience went and if that is something they would like to see improved. If the customer doesn't find claims handling to be particularly important, then it should not be used as a selling point. In contrast, if the customer demands the best quality claims handling, this would be a major selling point and a factor in the selection of insurer.

### How To Use IRMI To Formulate Needs Assessment Questions

The needs assessment is the most crucial step in the sales process and requires careful consideration of the client's undiscovered needs. Using probing questions allows the agent to get a better picture of the client's unmet needs. The first two steps of the formal risk management process are important resources to help guide the probing questions that reveal the client's exposures.

### Using Checklists To Identify Risks

One of the most common aids to risk identification is a checklist. This tool may also be called risk survey, risk analysis questionnaire, risk profile, or exposure survey. There is almost an infinite number of these documents available, ranging from very brief to extremely detailed. IRMI publishes the [Exposure Survey Questionnaire](#) and [IRMI Insurance Checklists](#), and many consultants and brokers have developed their own checklists. Comparing what our experts at IRMI have developed to what your company provides offers a leg up on the competition.

### Building a Knowledge Base To Effectively Identify Risks as They Arise in Conversation

Although checklists are a great way to initially identify risks relevant to a company, it is not a replacement for building a solid knowledge base to identify risks as they come up in conversation with the client. IRMI Online offers several resources to assist in this endeavor. The IRMI certifications programs acquaint you with the exposures and insurance issues associated with the specific industries they address. The IRMI reference material carefully analyzes risk finance, contractual risk transfer, and insurance coverage areas to help determine solutions for customers and minimize coverage gaps.

### Case Study

Tom is relatively new to the insurance industry. He works as a sales agent for commercial lines insurance. His initial contact with his prospect, Michael, was a success. Michael, owner of a local construction company, has agreed to visit Tom's office to learn about the insurance products and risk management services that can help to reduce his risk as a

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business owner. Tom asks Michael to share his current insurance program so that Tom can prepare a proposal ahead of the meeting. The proposal that Tom prepares includes a commercial general liability (CGL) policy that is cheaper than what is in place but should still meet Michael's needs, according to Tom. Michael, unknowing of the complexities of CGL coverage as it relates to construction risks, agrees because it is a lower price than his current policy.

Several months down the road, Michael files a claim for a building after a defective roof installed by a roofing subcontractor allows water inside the building and damages the walls and floor. However, because the CGL policy contains the endorsement CG 22 94, which is an exclusion that bars coverage for damage to work performed by subcontractors, no coverage is afforded to Michael. Michael, furious that he had no coverage from Tom's advice, takes his business elsewhere and is left to pay out of pocket for the damage. Moreover, Michael files an errors and omissions claim against Tom for faulty advice.

Tom wonders where he went wrong with the sale.

## ***Solution***

While Tom was successful in obtaining the business from Michael, he did not properly identify Michael's needs, leaving a significant coverage gap unaddressed. Before preparing a program proposal, Tom should have asked Michael about his operations and what other parties are involved. The use of IRMI's exposure questionnaires and insurance checklists could also be used to identify potential coverage gaps in Tom's proposal for an insurance program. After revealing that Michael works with several subcontractors to construct his buildings, Tom could read about construction risk management in IRMI to learn about relevant coverage issues related to subcontractors. Exhibit 1 shows a selection of topics Tom could review to strengthen his knowledge.

Tom would then carefully examine the proposed CGL insurance policy for endorsements like CG 22 94. Tom could ask the proposed

## Exhibit 1

The screenshot shows a search interface for 'subcontractors'. The search bar contains the text 'subcontractors' and a magnifying glass icon. Below the search bar, there are three tabs: 'All IRMI (574)', 'Court cases (973)', and 'Glossary (23)'. A 'History' link is also visible. On the left side, there is a sidebar with a 'Topic' filter set to 'Clear all'. The sidebar lists various topics with their respective counts: Commercial Liability, Claims, Caselaw, Legal (893), Construction (609), Risk Management (374), Commercial Property (295), Personal Lines (263), Workers Comp (143), and Professional Liability (117). Below these are sections for 'All IRMI Products' and 'Type of Document'. The main content area shows '1 - 10 of 574 search results for subcontractors' and is refined by 'Commercial Liability'. The results include several entries with titles and brief descriptions:

- Adequately Insured Subcontractor**: It excludes coverage under the general contractor's policy for claims arising out of a subcontractor's operations performed for the named insured unless the subcontractors are insured in conformity with ... The liability coverage for each such
- CGL CG 22 94 -- Damage to Work Performed by Subcontractors on Your Behalf**: Endorsement CG 22 94, which was introduced as part of the 2001 ISO CGL revision, removes the subcontractor exception from the CGL "damage to your work" exclusion. ... In this sense, the endorsement's title is misleading—it excludes far more than just
- CGL CG 22 95 -- Damage to Work by Subcontractors-Designated Sites/Ops**: With respect to those exposures, the named insured contractor will have no coverage when elements of its "work" performed by a subcontractor prove defective—either by damaging themselves or by damaging
- Umbrella Endorsements for Specific Risks**: CU 22 64—Exclusion—Damage to Work Performed by Subcontractors on Your Behalf. ... if a subcontractor's work causes damage to other elements of the work.
- Eliminating the Subcontractor Exception**: The endorsement, CG 22 94—"Damage to Work Performed by Subcontractors on Your Behalf," simply replaces exclusion I. ... as it is found in the standard CGL coverage form with another version of it lacking the second sentence, which contains the
- CGL Subcontractor Exception**: The backfill work was performed on [the insured's] behalf by a subcontractor. ... moisture damage caused by the EIFS installation because it was performed by a subcontractor.

insurer to remove CG 22 94 or search for other insurers that do not automatically attach this endorsement.

### Part 3: Program Proposal

Now that you have uncovered the needs of the customer, it is important to select a program that will best fit their needs. In the traditional sales world, a salesperson may try to offer the customer an insurance program that is as similar to the one that is currently in place as possible, at a lower price. Although this may garner short-term business, focusing on price could mean trouble when the program doesn't address underlying needs at the time of a loss or when market changes cause prices to increase.

### Selecting the Right Program

Making the right recommendation is simply an extension of the needs assessment. Once the agent finds the needs and coverage gaps of the customer, the insurance marketplace should have readily available coverage for most of these needs. Most insurers will not have an all-inclusive program that covers every exposure relevant to the insured. Therefore, it is important to consider procuring coverage from the insurers that offers the best solutions. It will often require a combination of different insurers to develop the optimal program.

For some exposures, insurance is not the best strategy, given the customer's needs and goals.



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- Eliminate gaps in CGL coverage.
- Identify errors in competitors' policies.
- Negotiate coverage enhancements with your underwriters and insureds.

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Instead, the agent should offer other risk management alternatives such as implementing a safety program, noninsurance risk transfers, or some form of risk retention that will better address the exposure. For example, if the customer's industry has a high risk for workplace accidents that leads to frequent and severe losses, a workers compensation policy will not be enough to address the noninsurance issues such as injuries or fatalities. Instead, the insurance program would need to be supplemented with a safety program to control losses. Part of the process to help justify implementing additional safety protocols may require the salesperson to educate the business owner on the hidden (and uninsured) cost of losses such as reductions in productivity and morale, damage to equipment, and employee replacement costs. Focusing solely on insurance solutions could potentially overlook strategies that better address some exposures, which often results in unintentional coverage gaps.

## The Sales Presentation

Once the individual coverages and non-insurance strategies have been chosen, the

salesperson should combine three different program proposals that differ in level of coverage and cost. Offering a tiered approach allows the customer to better compare coverages in relation to each other. Keep in mind, many customers see insurance as all the same, but when three programs can be compared side-by-side, the differences become more obvious. It is important to note that the nature of choice will often lead a customer to pick the middle option. That is, the option that balances cost and coverage will seem most attractive. Customers do not want to pick the cheapest option because they fear they will be underinsured, and they do not want the most expensive option because they will feel they are overpaying.

In some cases, the agent may already know the level of coverage and price desired from the customer. Therefore, only one option is needed, and it will ultimately come down to the agent's ability to explain how their recommendation is an improvement to the existing program.

### *Features versus Benefits*

A salesperson should identify what differentiates their proposal from the customer's current program. Because of the complexity of insurance, it can be very easy to fall into the trap of overexplaining all the features of an insurance program. While differences in the program are important to highlight, some are more valued by the customer than others. For example, a policy might have the feature to adjust fluctuating property values during a peak season. But, if the customer does not have fluctuating values, this feature is irrelevant. Spending time to explain these insignificant features creates friction between you and the customer, as the customer will feel that you are wasting their time.

Instead, the salesperson should focus on presenting the proposal that most closely resembles the current program and highlight the *benefits*—that is, the differences in the program that provide value to the customer. For instance, if quality claims handling is a big factor in the customer’s decision, an important benefit to highlight in your proposal is the positive insurer reviews for claims handling. Focus on your most comparable proposal to existing coverage and the thing that make your proposal better for them, like the expertise the salesperson’s firm can bring to the table to assist with claims. A comprehensive list of benefits will serve to show the customer that the proposal offers much greater value than what they currently employ.

### How To Use IRMI

The selection and presentation of a program to meet the customer’s needs is a critical step of the sales process. Ideally, a mix of both insurance and noninsurance strategies will address the exposures that the customer faces. The features that provide value are often the deciding factor that influences the customer’s decision to change the current program.

#### *Using IRMI Online To Identify Policy Forms and Endorsements That Address Customer Needs*

A way IRMI can help in the program selection stage is to identify the policy forms and endorsements that properly address customer needs. For example, say a design-build contractor is looking to insure both his general liability and professional liability exposures as the professional architect and contractor of a building. To explore the different endorsements that can tailor the insured’s CGL coverage for this need, the agent could review IRMI’s [\*Commercial Liability Insurance\*](#) reference.

Specifically, the discussion about endorsement CG 22 80 shows the agent that design-build contractors may use this endorsement to cover both the design and construction phase of the project when the contractor is performing both services on the project. Exhibit 2 shows a selection of topics the agent could review to strengthen his knowledge on design-build contractor exposures as they relate to CGL coverage.

#### *Building a Knowledge Base To Recommend Noninsurance Strategies*

Noninsurance strategies to mitigate risk can be very complex. IRMI offers vetted reference material that analyzes risk financing, contractual risk transfer, safety programs, and various forms of risk retention (e.g., large deductibles, pools, self-insurance, and captives) as approaches to handling risk. For example, say a large manufacturing plant finds the costs of workers compensation insurance too high for the level of risk it presents to its operations and cash flows. A search in IRMI’s [\*Risk Financing\*](#) reference suggests that a potential strategy to address the prospect’s concern is a large deductible plan. After discussing the potential advantages and disadvantages of a large deductible plan, the prospect agrees that it meets the needs and risk tolerance of the firm.

### Case Study

Julian is relatively new to the insurance industry. He works as a sales agent for commercial lines insurance. His initial contact and needs assessment with his prospect, Wyatt, was a success. Wyatt, owner of a local roofing company, is now ready to hear Julian’s proposal for a program that can address his needs. To prepare for the proposal, Julian procures CGL, umbrella, equipment, and

## Exhibit 2

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All IRMI (178)
Court cases (320)
Glossary (16)

▼ Topic ✕ Clear all

- Commercial Liability
- Claims, Caselaw, Legal (522)
- Construction (499)
- Risk Management (361)
- Professional Liability (268)
- Commercial Property (237)
- Personal Lines (92)
- Risk Financing & Captives (42)
- + More

▶ All IRMI Products

▶ Type of Document

1 - 10 of 178 search results for design build contractors

Refined by: ✕ Topic ✕ Commercial Liability ✕ Clear all filters

**CGL Design Professional Liability Exclusion**

Insurers sometimes applied the endorsement's exclusionary language not only to genuine **design** professional services undertaken by **design-build contractors**, but also to the routine "design" work that is part of ... These endorsements give insurers the

**The 1996 CGL Endorsement Revisions**

Limited Exclusion—**Contractors**—Professional Liability—(CG 22 80). This new endorsement is designed specifically to leave intact coverage for certain professional liability exposures of a so-called **design-build contractor**—one ... When the

**CGL CG 22 80 -- Limited Exclusion -- Contractors -- Professional Liability**

CG 22 80). This endorsement is intended for use with policies issued to **design-build contractors** when the insurer is willing to cover both the general liability and the professional liability ... performed by you or on your behalf." In other words, a

**CGL CG 22 79 -- Exclusion -- Contractors -- Professional Liability**

CG 22 79). The problem faced by general liability insurers in providing coverage for so-called **design-build contractors** while excluding from that coverage the insured's professional liability exposure has ... **Design-build contractors** are those who both

workers compensation coverage from a few insurers that fit Wyatt's needs. Julian is able to find good options for all of these except for workers compensation. Because of the high risk in the roofing industry and Wyatt's poor claims history, premiums for workers compensation came back high from all his underwriters.

Julian prepares three proposals, each with the "best" option for workers compensation. He is hoping Wyatt accepts the workers compensation premium as a cost of doing business. Fortunately, Wyatt is happy with one of the proposals, so Julian is able to get the business.

Unfortunately, Wyatt takes his business with another broker at his next renewal because another agent offered him a program that would reduce his fixed premium costs by using

a large deductible plan. The agent also suggested bringing in a safety consultant to implement a robust safety program to reduce the severity of workers compensation claims and improve Wyatt's claims history over time. Julian wonders where he went wrong with the sale.

### **Solution**

While Julian was able to meet Wyatt's insurance needs, he did not properly address Wyatt's noninsurance needs, leaving Wyatt with high premiums to pay for workers compensation and no improvements to his claim severity. Julian should read about large deductible plans and their cash flow advantages along with the best practices to implement, such as adding a safety program. Moreover, Julian could recommend Wyatt to invest in construction technology like the MindForge platform as

a training tool to improve workplace safety at his jobsites to reduce his claims severity. In doing so, Julian would have realized that addressing Wyatt's noninsurance needs for safety and claims reduction would have retained Wyatt's business.

### Part 4: Objection Handling

It is very rare that a sales call will go perfectly without any objections. However, a customer objection does not mean that the opportunity to close is over. In fact, objections are a very normal part of the sales process, and it means the customer has been actively participating in your presentation. Objection handling is one part of the sales process that is best mastered through practice and experience. Fortunately, some objections (price, time to consider, no need for a coverage, etc.) are common to most sales, and, therefore, practicing these will help master your abilities to effectively address customer concerns.

#### Understanding the Concern

The first step to handle objections is to understand the concern from the perspective of the customer. For most cases, customers are not comfortable enough to confront you with objections directly. Because serious objections appear confrontational at face value, customers are likely to only reveal part of the concern. As a salesperson, it is necessary to uncover more details about the customer's concern to effectively address it.

For example, you will commonly hear that the customer needs more time to consider. While some situations do require more time to think over, some customers use this excuse to put off their decision until they find answers to their concerns. Clarifying *why* the customer

needs additional time to think will give you a chance to reveal the details of the actual concern. Creating some urgency, without being pushy, can help guide customers to reveal objections they would have otherwise left out. For example, you can explain how a delay in a customer's decision could leave her business unprotected and exposed to any of the currently uninsured exposures identified in the needs assessment. With this in mind, the customer may reveal that they were not familiar with or did not like a certain provision in the program proposal. Rather than allowing the customer to go search for answers on her own, the salesperson now has the ability to answer and control the information about that program detail.

In other cases, the customer may not be entirely aware that their concern is tied to a different issue. For example, the very common objection of price is often just a misunderstanding from the customer's perspective. In navigating through the complex world of insurance, customers have one unit of comparison, which is the price. Although agents understand that insurance can vary greatly due to breadth of coverage, limits, deductibles, and company rating, a customer may be unaware of some differences, thus believing that all insurance is the same or similar. Because of this, customers have the tendency to compare programs directly. Of course, a comparison of two different products at two price levels is more complex than simply stating that one is priced higher than the other. For these types of cases, the actual concern is with the value received. A customer may simply be unaware that, while they are paying more, they will be receiving a lot more. Conveying to the customer the concept of price-to-value will help the customer understand why they should not compare on price but, instead, compare on value.

## Common Negotiations To Consider

Now that you've uncovered the actual concerns of the customer, the most important part of the sales process begins: negotiating with the customer to find a middle ground where you and the customer are happy. Some negotiations will require changes to the program that will better fit the needs of the customer, while others can be resolved by a thorough explanation of why the program is the way that it is. The following are some common negotiations in insurance sales.

### *The Price Is Too High*

Price is typically the most common objection to overcome. A mistake some salespeople make is focusing on the price alone. While a price concession or reduction of coverage may appease the customer, the real concern is with the value obtained. The best strategy, here, is to explain how your proposal provides better *value* for the customer. Because you conducted a thorough needs assessment and matched those needs with the right coverages, the value you have provided is already much higher than the program the customer already has in place. Any reasonable price increase is only marginal to what value the customer is receiving. Using simple ratios and percentages helps the customer compare the programs. In a theoretical example, consider two programs with a 10 percent price difference. This may seem objectively high, but if you consider that the limits are 20 percent higher and it covers many more exposures, the value is better.

### *Do I Need This Coverage?*

The second concern that is typically brought up is whether a coverage is actually needed for the customer's situation. Because the effects of

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insurance are both intangible and not immediately observable, some customers may feel that a particular type of loss could never happen to them. Unfortunately, that is not always the case. Recapping the reasons why the coverage is important and using examples from prior customer interactions can help materialize the risk for the customer.

Whether it be an issue with price or a change in risk tolerance, sometimes it will not be possible to convince the customer to accept all the recommended coverages. In this case, the salesperson will have to restructure the program without the rejected elements. An effective way to sometimes change the customer's mind while reducing the chance of a later errors and omissions claim is to document the rejection and ask the customer to initial the documentation.

## How To Use IRMI To Address Customer Objections

Customer objections can potentially break a sale, but careful navigation through the customer's

questions will lead to successful conversion. Often, the most difficult to overcome are objections to the purchase of new types of coverage. These require thorough explanations of why the coverage is critical to the customer. Using a combination of your own experience to tell a story about the exposure at hand, as well as other information sources, will help demonstrate to the customer that the coverage is essential to the program.

### ***Using IRMI Material as an Unbiased Source To Back Your Claims***

For objections to coverage, a customer may believe the agent has some biased reasons to push a specific coverage. While explaining the reasons behind your recommendation can help to address the client's objection, an unbiased source of information, such as IRMI, may help the customer understand why they should agree to a particular coverage. IRMI material offers authoritative advice on coverage issues related to real exposures insureds face every day. In fact, it is used in some courts of law to explain coverages and how the language applies. Sometimes, pulling an excerpt from IRMI material can help convince the customer that your reasons to suggest a coverage are legitimate.

For example, say a customer objects to adding employment practices liability (EPL) coverage to his program because he feels that he can best control that exposure on his own. Pulling an excerpt from an issue of [\*Employment Practices Liability Consultant \(EPLiC\)\*](#) shows that employment discrimination charges and EPL claims have been on the rise for the past few years. This issue of *EPLiC* also lists other common objections to EPL coverage and ways to overcome them.

### **Case Study**

Tom, the sales agent for a commercial property insurer, has just presented his program proposal for his prospect, Michael. The program Tom selected offers Michael higher limits to meet his actual needs, better coverage to address his exposures, and favorable claims handling, evidenced by the insurer's reviews. Specifically, Tom's program included coverage for EPL insurance (EPLI), which Michael did not have. Michael, not too familiar with insurance, is skeptical of a 20 percent price increase compared to his current insurance program. He believes it is not worth the increase if it is essentially the same thing, insurance for his business. Tom contacts his underwriter to rewrite the program with reduced limits and no EPLI coverage to lower the price. Although Michael is pleased with the price, he does not believe the effort to switch with Tom will be worth it if the price is the same. Michael says he thinks he'll be better off staying with his current program if nothing else changes.

### **Solution**

While Tom provided Michael a solid program that met his individual needs, he did not address the objection of price correctly. Tom should have first uncovered the true objection behind Michael's price concern. The price point itself was not the issue; rather, it was the value-to-price comparison about which Michael was concerned.

Tom should have also consulted IRMI material to explain how impactful the EPLI coverage is for his business. Unfortunately, Michael was making an unfair comparison by solely focusing on price. While Tom was able to reach the same price, he would have been better off

pointing out that the 20 percent price increase was more than justified by the amount of value the new program was offering.

## Part 5: Closing and Relationship Management

The close is arguably the most important step of a sale. If the previous steps of the sales process were conducted properly, the agent should have few problems with the close. However, some agents forget that the close is not the end of the sale but, rather, the start of the business relationship. A big factor in retaining customers is the quality of customer service and value-adds that an agent offers for ongoing business.

### Closing Strategies

There are various closing strategies that can effectively convert the prospect into a customer. Some techniques work better than others for certain situations, which is why it is important to know when each is appropriate. Like objection handling, closing sales is best mastered through practice and experience. The following is not an exhaustive list of closing strategies, but it is a good starting point.

#### *Summary Close*

One closing strategy is to summarize all the points discussed in the sales conversation to confirm with the client that all their needs have been met. This works in most situations, including when the agent is unsure of the prospect's stance on the decision. It can also work to reassure the customer's decision by recapping all the features that are relevant to the customer.

For example, a close following this strategy would sound like this. "Michael, today we discussed how my proposal would cover your property exposures, workers compensation

exposures, general liability exposures, and product liability exposures at your furniture manufacturing plant. We concluded that the limits are what you need to cover expected possible losses at your business. We found an insurer that matches your requirements for claims handling quality and financial stability. If you agree this is the case, I would like to get you started with securing your coverage today."

#### *Assumption Close*

The assumption close skips the formal request for the client's business by assuming the client is on board with the sale. Instead, the salesperson segues into paperwork and other closing activities. This works best when the agent *knows* the prospect is on board with the proposal. Rather than allowing the client to agree or disagree, the assumption close prevents the client's indecisiveness or second-guessing from halting the sale. However, it is very important to be completely sure the customer is in favor of the proposal, or else this approach will appear pushy.

As an example, assumption closes could follow this format. "Michael, since we have gone over all the details of the proposal, and I have answered all your questions, we can now get started with the paperwork to get you covered as soon as possible."

#### *Option Close*

Alternatively, a salesperson might present the prospect with two options, neither of which is "no," so the client is more likely to choose one. This close helps ease the customer into the closing process because the question is not about buying. Rather, the question helps the customer decide what option they prefer, and that answer will help the customer move forward with the purchase. This is because the

customer is internally convincing themselves with reasons to go with one of the options.

For example, an option close would sound like this. “Michael, now that we have gone over the program options, which do you like better? The lower-cost program that offers coverage similar to what you have currently or the more encompassing program that offers higher limits and broader coverage and better suits your needs.”

### **Becoming a Viable Second Option**

Unfortunately, not all sales conversations end with a successful close. Even with a perfect sales conversation, a number of factors outside of your control can take the sale from you. However, becoming a viable second option for the prospect to keep in mind is still worthwhile.

Persistence (without becoming a nuisance) is key to eventually gaining the client’s business. Consider checking in with prospects at their next renewal to see if their situation has changed, they have become dissatisfied with their current agent, or they have a different perspective on insurance and their business. Ask whether they mind if you continue to send them relevant risk mitigation tips from IRMI to help them manage their costs and exposures. This way, you will continue to be present when an opportunity arises. Sometimes, all it takes is to be present for the prospect at the right time.

### **Maintaining the Relationship**

Although the close is the last step of the sales process, it is actually the first step in the business relationship between you and the client. This relationship is important not only to retain business from the client for several years to come but also to gain referrals and recommendations. In order to successfully

maintain this relationship, the agent must continue to deliver value to the customer.

For example, regularly delivering tips, relevant case examples, and law along with advice to mitigate risk and address exposures relevant to customers is a considerable value-add that customers will find helpful. Preparing the customer for exposures coming on the horizon will position you as an advocate for the customer. Because you have the customer’s best interest in mind, they will be less likely to shop around for other agents.

Offering continual updates on changes to statutory requirements related to the customer’s coverage will ensure the customer is compliant with the law. For example, if the customer has commercial auto coverage for a fleet of vehicles in different states, updates about changes to state-specific coverage requirements keep the customer compliant and help to prevent any legal complications.

Maintaining regular touchpoints also serves to ensure the customer is happy with the program. It is good to make sure the program is up to date with the customer’s potentially changing situation. For example, a customer might introduce automation into the business, which reduces the number of employees and thus decreases the risk of workplace accidents. This reduction in employees can potentially lower workers compensation premiums, which means savings for the customer. Regular touchpoints can bring attention to these types of exposure changes to make sure the customer is getting the best price from you and not a competitor. Also, preparing the customer early in a hard market can prove beneficial because the customer will appreciate the early warning as well as timely planning to address the price increase. Nothing will scare away a customer more than a

significant price increase for seemingly no reason. Therefore, maintaining regular communication with the customer is vital to obtain more renewals.

## **How To Use IRMI To Close and Retain More Business**

The close can be a deceptively tricky step of the sales process. Some salespeople may misread the customer and employ an incorrect closing strategy. Other times, a salesperson may treat the close as the last touchpoint before the customer becomes another account in the books. Providing quality customer service for ongoing business will ensure the customer stays with you longer, and the customer will be more likely to send you referrals.

### ***Using IRMI Newsletters and Risk Tips To Stay on Top of New Developments***

To help you learn about ways to handle incoming exposures on the horizon, IRMI newsletters report on important and emerging developments that enable you to provide practical and actionable strategies that can help mitigate risks that customers face every day. IRMI Risk Tips also add value to customer relationships, as they can become a conversation starter to address a risk not previously discussed. Say, for example, a business hires a temporary worker for some time to help meet seasonal demand. By confusion of the owner, he believes this worker is covered under his CGL policy. However, a recent Risk Tip from the agent that discusses the distinction of “leased worker” versus “temporary worker” highlights that it may very well be possible the worker is not afforded coverage. Therefore, the customer may begin a dialogue with the agent to have this new exposure addressed, simply with a Risk Tip that was sent to the customer.

### ***Provide Regular Updates for Changes to Statutory Requirements Related to the Customer***

Changes to coverage statutes can be difficult for customers to keep track of on their own. Especially for customers operating in different states, this step of the risk management process can prove time consuming in order to remain compliant with the law. IRMI references provide key updates for statutory requirements so that the agent or customer is up to date on any changes that can potentially cause legal consequences. Some of these include state-specific commercial auto laws on coverages and identification requirements, as well as state-specific workers compensation act requirements.

### ***Become a Claims Advocate for the Customer***

Claims are where the rubber hits the road for customers. Claims that are not clearly covered by the insurance in place provide agents with a superb opportunity to prove their value. Analyze the insurer’s coverage denial or reservation of rights letter. Once you’ve developed an understanding of the adjuster’s position, consult the IRMI content to check this rationale. You’ll carefully review IRMI’s detailed discussions of the coverage terms cited in the denial or reservation of rights to determine if a different view on coverage, one favoring the insured, can be supported. From there, a fast search of the 10,000-plus coverage cases in the IRMI case law database may provide further support for your contrary position. It is quite common that providing such supporting evidence from IRMI to an insurer will cause it to reverse its position and provide coverage for the customer.

## **Case Study**

Sophia, a sales agent for commercial lines insurance, has just closed a sale with Noah,

owner of a local landscape company. In her proposal, Sophia included coverage for CGL, workers compensation, and commercial auto for a fleet of trucks Noah's employees regularly drive for work. Several months down the road, Sophia receives a phone call from Noah. Noah reports that he received a ticket for his fleet policy that did not comply with the identification requirements and limits of insurance required in his state. Noah, unknowing that these requirements had recently changed in his state, was furious he was left underinsured by his agent. Noah eventually moves his business to another agent.

### *Solution*

While Sophia effectively closed the sale with Noah, she was unable to keep his business for longer than a year. Sophia was aware of the state change to the identification requirements and limit of insurance, but Sophia figured Noah would have been aware of such a thing and didn't give him a call to make this change. Sophia instead could have sent Noah any changes to the identification requirements from IRMI's handy state summary and notices of changes and notified him when the minimum limit of insurance was changed in the state.

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