

Taking steps to prosper

Giving his perspectives on the situation for brokers in the US, as they pursue renewals in 2002, **Michael Rossi** offers some useful advice on how to negotiate the minefield of omissions in a hard market.

In the past couple of months, risk manager and broker clients alike have asked for help on their 2002 renewals, on various lines of coverage. From what I'm seeing, these renewals are brutal.

In each instance, the lesser of two evils had to be chosen because all of the quotes presented us with a decrease in coverage and increase in cost when compared to the expiring cover. To make matters worse, underwriters are providing bindable quotes only a couple of weeks, or a few days, before renewal dates, making it extremely difficult to take the time to compare quotes and/or address issues with underwriters.

Valuable lessons can be learned from two brief case studies of renewals that I have worked on in the past couple of months.

In one assignment, a broker client asked for help with the renewal of their client's property program. The property carriers' renewal quotes all excluded terrorist cover for US locations; but the client needed terrorist cover to operate, so the broker obtained quotes for standalone terrorist policies.

To solve this, a matrix was created which detailed the terrorist coverage provided by the expiring program, and compared that to the cover provided by the stand-alone policies, and identified what issues to negotiate with the stand alone carriers. Any issues that could not be addressed were explained to the client as the coverage that was lost at the renewal.

In another assignment regarding a property renewal, the expiring carrier had advised that it would not be renewing the program. The broker obtained two quotes from underwriters that were willing to quote the account,

but both underwriters advised that their policy forms were non-negotiable.

To help the client make an informed decision on which of these nonnegotiable policies to buy, we created a matrix that compared the key coverage provisions of the expiring program to the provisions in the two quoted policy forms – which helped the broker and the client decide which issues were more important and which of the two quotes to buy.

From these experiences, brokers should incorporate the following steps into their renewal strategies for 2002.

First, at the outset, the broker should set expectations by advising the client to expect both an increase in price and a decrease in coverage.

Second, the broker should create a matrix to compare coverage provisions between different quotes, or between the expiring program and a renewal

matrix which only contains policy language and no commentary or suggestions on what to do.

Third, even if an underwriter advises that its off-the-shelf policy form is non-negotiable, the broker should take the time to review it for any problematic, ambiguous or unique provisions or wordings. The broker should discuss those issues with the underwriter and, if the underwriter will not amend the language to address concerns, the broker should at least ask for the meaning and intent of the language, and record in writing the answer given which should prove useful at claim time.

Fourth, from start to finish, the broker should regularly explain all of the various steps through the renewal to the client. The final results of the renewal an off-the-shelf policy that costs more than the expiring manuscripted policy might not show all the hard work done by the

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quote. The matrix should also have one column at the far right side labeled 'Comments' or 'Issues to Consider' where the broker can make some comment about the language being compared. For example, "Policy A is broader than Policy B on this issue." Or better yet, "We should ask Carrier A to amend its policy to match the coverage provided by Policy B on this issue."

Nothing will annoy risk managers more than to receive a comparison

broker. By keeping the client updated on all the work being done at each stage of the renewal process, the client will be unlikely to question the effort put in.

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