

SPECIAL REPORT

HOW OFTEN SHOULD YOU “SHOP” YOUR INSURANCE

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This Special Report was written by Kenneth R. Hale, J.D., CPCU, AAI, LIC. of Marsh & McLennan Agency LLC. Mr. Ken Hale can be contacted at 734-525-2412 or khale@mma-mi.com. More Special Reports are available at www.mma-mi.com.

Many business people believe that shopping their insurance every year with various insurance companies and multiple agents will save them money.

While this may result in a lower premium at first glance, since most business people are not professional insurance buyers, they are not aware of the many differences between various competing insurance policies. They only learn this when there is a loss that is not covered by the insurance carrier for a variety of reasons.

Disadvantages

Over-shopping insurance has many disadvantages.

- The first, is that it is time consuming on the business owner as well as all of the insurance companies and insurance agents involved.

Let's say that an insured selects three insurance agents who decide to quote three different insurance carriers each.

First, the business owner has to meet with the insurance agent individually and provide a great deal of information. In many cases, the insurance carriers, nine in this case, will ask to inspect the locations to see if they want to actually issue an insurance policy.

The insurance carriers then need to otherwise underwrite the account and generate a quote that needs to be presented by the three different insurance carriers.

This is, obviously, time consuming and costly and, in the end, will not provide any clear answers, again, because the business owner is not a professional insurance buyer and is unable to compare the competing proposals except with respects to the bottom-line premium.

- This aside, the frequent request for quotes from the insurance carrier will soon place the account on the insurance carriers “No Quote” list because they realize that an insured is likely not serious about changing their insurance program but is only trying to keep their current carrier “honest.”

Asking for multiple quotes demonstrates to the carrier that the business owner only considers insurance to be a commodity, and they do not value the insurance policy terms and conditions or the expertise of the insurance company or its agents.

In Michigan, an insurance agent is the agent of the business owner which means that what the insurance agent says or does not say is binding on the business owner.

Because new applications are required in applying for insurance, numerous statements and representations are made that could be held against the business owner at the time of a loss. The business owner has not seen the application in most cases; however, the statements on the application are binding on the business owner.

- In addition, changing insurance policies can create coverage gaps if some or all of the coverages are written on a claims made basis.

Recommendation

We recommend that an insured pick an insurance agent first and rely on the advice of that insurance agent as to whether or not the account should be submitted to other insurance carriers from time to time.

If an agent is going to make decisions on where a business owner's insurance is placed solely on price, just to satisfy the business owner's need to be certain that the insurance was "shopped," it is the business owner that ultimately will lose.

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