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Potential savings in a hard insurance marketplace

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The property and casualty insurance marketplace is undergoing a period of adjustment, with insurers seeking higher rates, premiums, and deductible levels, while also cutting back on coverage terms and limits. In the past few months insurance renewal rates have skyrocketed, especially for those companies in the real estate industry sector.

There is one area of an insurance program that may have been overlooked in the past, but which could represent potential savings. Property and liability insurers routinely inspect the buildings they insure. The reports generated often contain recommendations ranging from completing simple checklists, to installing or replacing sprinklers or even roofs.

Your insurance broker or agent may or may not see these recommendation letters, and unless the insurer has mandated you follow a specific recommendation it is possible that the actual report never even makes it to the desk of the person responsible for insurance. Sometimes the insurers advise that completion of certain recommendations will result in premium savings or improved coverage terms. If the report is lost on someone's desk and the decision maker is never aware of the potential savings, there is no way to perform a cost benefit analysis to determine if it would be worth the added cost to complete the recommendation or not.

One of our clients recently had a similar situation, where an insurer had made a specific recommendation, but since the report hadn't been seen by the proper person it went uncompleted. As part of our due diligence for the client we asked for a copy of the report and learned that if the client were to complete a windstorm resistance recommendation, costing approximately \$60,000, that they would then be eligible for a large premium savings and a reduction in their deductible, which would allow them to also cancel a separate deductible buy down policy. In all, the \$60,000 one-time cost to complete the recommendations resulted in \$1 million savings of premium in the first year alone, and the client will continue to save this amount going forward.

Although not every engineering report will contain savings on this scale, it is entirely possible that your insurers have recommended changes that could potentially result in premium savings at your next renewal. Even if completing recommendations doesn't result in premium savings now, it will help foster a better relationship with your insurer and could have other benefits down the road. Call your agent or broker to request copies of any recent reports to see what they may say, because in this hardening insurance market every penny counts!

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