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Choosing the right professional for your professional insurance needs

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Chances are you are a specialist in your field. As a professional advisor to your clients, you offer more than a general knowledge of your industry. You understand your clients' needs, have a sophisticated grasp of the wider issues impacting their success and have the resources and skills to expertly assist them. Your clients demand more than a generalist approach in a complex business environment.

What happens, though, when you are the client? Are you choosing specialists to make sure your complex business needs are taken care of, someone who understands the big picture and offers solutions and products that fit? The perception exists that obtaining expert help costs more, but that is not necessarily true. The long-term cost of a lesser product or service, or using a "middle man," can be higher than obtaining the right assistance from the beginning.

This thinking applies to a real estate professional's business insurance needs, especially when considering complex insurance programs like professional liability, cyber/privacy coverage, directors and officers coverage and so on. These are not everyday products to many insurance agencies. They have features and requirements vastly different, for example, than a typical home or auto insurance policy, such as prior acts, independent contractors or franchise coverage, extended reporting periods, fair housing, employment practices and a host of other provisions unique to many professional insurance policies. When considering such a purchase, it can be instructive to better understand the delivery system and points of access to help better choose an insurance provider and policy. Here is a brief summary of different types of insurance providers.

Local Retail Agencies: Typically a generalist with a focus on personal insurance like home, auto and life. May offer some business insurance lines like general liability and workers compensation, but might need to access specialists for other professional insurance products.

Regional Retail Agencies: A bigger version of the local agent, often with greater access to insurance carriers and products. Still more of a generalist, though may have specific departments or staff specializing in commercial insurance products.

Wholesale Agencies: These are regional or national agencies and act as a conduit for local and regional retail agencies to access insurance products otherwise unavailable to them. Whether due to premium volume requirements with an insurance company or limited access to a particular program, a retail agent would access the wholesaler to expand their offerings, though often with an additional cost involved.

Managing General Agents: Sometimes called program administrators, program managers or underwriting managers, the MGA has the responsibility of running the program for an insurance company. This can include underwriting applications, all aspects of client service, marketing the products and even some initial claim service. MGA's are typically specialists and interact with the

industries they are serving on a more sophisticated level. This can include risk management services, offering continuing education or seminars, webinars and written material to clients and business partners to reduce the possibility of a claim. Both retail and wholesale agencies often must use an MGA to gain access to a program

Insurance Companies: The carrier is responsible to provide the policy and respond to a claim. A policy holder should be aware of the insurer's financial strength through their A.M. Best or standard and poor's ratings. An insurer might allow access to a program directly to the policy holder, to any agency, to appointed agencies only, or use a managing general agent to facilitate the program and otherwise stay in the background.

There is not necessarily a right or wrong way to obtain a quality professional insurance program, but knowing how that policy comes to you can be important. Typically, the more specialized or sophisticated a policy is, such as errors and omissions insurance, the less general access there is to it. Getting a policy from a retail agent who needs to access an MGA is not a bad thing, assuming that agent can answer your questions, understands the coverage needs of your industry and can convey this information adequately to the specialist. Many local and regional retailers are more than skilled in these areas and can access the best carrier or program administrator on your behalf. Others may prefer to focus on personal or less complex business insurance lines. Accessing coverage through multiple layers of agencies might also add to your cost due to brokerage fees.

Before you purchase, ask your agent about their experience in providing a particular type of coverage for your industry, how they will access such coverage, the carrier ratings and if there are additional costs besides the insurance premium itself.

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