

Market Review: Are You Carrying a Heavy Load?
—*Robert Burns, E&O Underwriting Manager*

Is your agency carrying a heavy market load? Like many insurance professionals, you probably started out with a manageable number of top-rated carriers. Then, for reasons ranging from one-time or specialty placements to the latest “hot” market, you found your production reports spanning multiple pages. It happens to the best of agencies. But there’s a way to lighten your market load.

First, consider the way your local supermarket rations its precious shelf space. If a product isn’t selling and, therefore, not producing revenue, it doesn’t stay on the shelf. Applying this analogy to your agency, your books of business are your shelf space.

Second, there is a cost associated with maintaining carriers. Some areas where markets carry a cost, or potential cost, are:

- Rules
- Financial conditions
- Coverages
- Pricing
- Return for agency

Unless you take steps to ensure your agency’s “fitness,” this excess market weight can hurt your business. Consider, for example, the staff time needed to stay up to date with market changes. If you have only one or two policies with a market, is it worth your staff’s time to keep up with changes?

There was a time when an agent could rely on a carrier to reform policies if an honest misunderstanding occurred. You can no longer count on that happening, particularly if you don’t have a significant volume with the carrier. If you miss a rule, a change in rules, or you neglect to provide some required information, will the carrier (oftentimes wholesalers) seek restitution via your Agents E&O insurance?

With a multitude of carriers, it’s also impractical to monitor their financial condition. Your top 20 to 50 carriers may be “A” rated, but what about those NR (not rated) ones that appear farther down the list? Can your agency effectively monitor fluctuations for hundreds of carriers?

Your clients’ interests are at stake, too. Take a look at some small accounts you placed with new carriers several years ago. Have they kept pace with the market in terms of coverages, or are there better or newer services available elsewhere? The same goes for pricing. The “hot” market five years ago may not be as competitive today. Automatic renewals are not a guarantee that you’re getting the best price.

Despite changes that will likely occur in compensation programs, some things will undoubtedly remain the same. For instance, the amount of profitable business that you place with a carrier generally determines that carrier’s responsiveness to your agency and

your clients. Therefore, consolidating your book of business and reducing the number of carriers you work with (without putting all your eggs in one basket) will likely produce preferred rates of return for your agency.

Here are a few tips to improve your agency's "market fitness":

- Evaluate every market, carrier, or wholesaler, and ensure approval by management or a management-appointed committee before you sign on;
- Base market selection on a careful review of services provided, financial strength, coverages, reputation, pricing, claims handling, and benefits for clients and agency;
- Understand and follow all procedures and underwriting guidelines used by markets;
- On a regular basis, evaluate markets for return, and assess how well they meet agency and client needs;
- Carefully monitor financial status of markets, and advise clients (as appropriate) of changes;
- Maintain a solid agency/carrier relationship.

Remember, too, that it's a good idea to review your markets periodically, and weed out those that are no longer producing favorable results. Following these guidelines will ensure that you're providing the most up-to-date and advantageous insurance protection for your clients—and that you're placing business where it will benefit your agency the most.

