


2006 Web Seminar Series

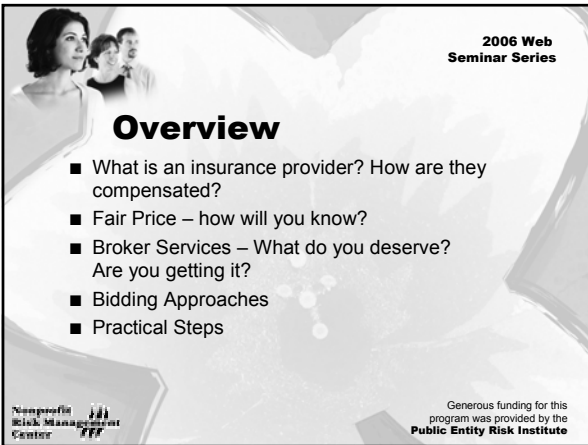
Putting Your Insurance Program Out to Bid

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October 6, 2006

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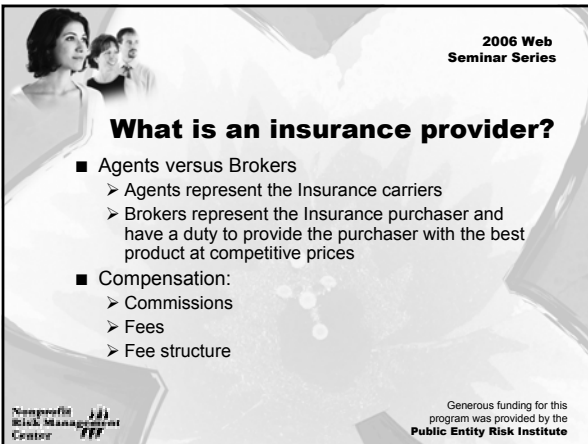
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Overview

- What is an insurance provider? How are they compensated?
- Fair Price – how will you know?
- Broker Services – What do you deserve? Are you getting it?
- Bidding Approaches
- Practical Steps

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What is an insurance provider?

- Agents versus Brokers
 - Agents represent the Insurance carriers
 - Brokers represent the Insurance purchaser and have a duty to provide the purchaser with the best product at competitive prices
- Compensation:
 - Commissions
 - Fees
 - Fee structure

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The \$25K Question: What's a Fair Price for Insurance?

- Your exposures
- Your risk financing strategy and priorities
- Your "insurance program"
- Affordability
- Carrier willingness and ability to pay

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Lowest Price does not usually equal best coverage

- When there are large variations in pricing from multiple carriers for the same product, ask questions!
- Is the coverage different? Is there coverage missing?
- Does the premium include claims handling?
- Is the carrier rating acceptable? Will the carrier be there in the long term to pay claims?
- What happens to your organization if the carrier is unable to pay the claim?

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Broker Services

- If your agent/broker cannot give you specifics on pricing variations and differences in coverage, then they do not understand the coverage well enough to place the line of business for your organization.

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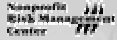





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Determining Service Needs and Expectations

- The culture of your nonprofit
- The size and complexity of your insurance program
- The broker as a "business partner"
- Range of services
- Your top issues and concerns



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Evaluate Your Provider

- Responsiveness
- Timeliness
- Credibility
- Commitment
- Claims handling
- Accuracy
- Results

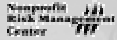

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Not all Agents/Brokers know all lines of business

- There is a big difference in coverage expertise for different lines of insurance coverage
- Agents/Brokers specialize in certain lines of business
- Lack of knowledge by an agent/broker ultimately leads only to a price purchase and may result in your organization purchasing substandard insurance coverage



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Using a Scorecard

- Up to 10 points in each category?
- 50+: meets expectations
- 31-49: partially meets expectations
- 30 or less: does not meet expectations



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Choosing a New Provider

- Prepare specifications ("specs")
- Determine proposal requirements
 - Be specific!
- Choose an approach to obtaining bids
 - Open bidding
 - Market assignment
 - Conceptual proposal



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Open Bidding

- Specs provided to several bidders
- Interested bidders approach insurance markets and return to the nonprofit with a complete proposal
- Buyer (nonprofit) tries to accept best bid; lowest price for required/desired coverage
- Downsides: potential time-waster for skilled agent/broker; "winner" may not have skills you require



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Market Assignment

- Select agent/broker bidders (based on referrals, incumbent, etc.) and assign markets to approach on your behalf
 - This generally involves asking brokers to select markets, taking turns
- Each bidder needs detailed information on your insurance program in order to proceed
 - An RFP or document containing specifications will be needed


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Market Assignment *continued*

- Upside of this approach: you may receive complete proposals for the full package of services/coverage you need
- Downsides: you can't separate proposal components (e.g. select carrier without broker)


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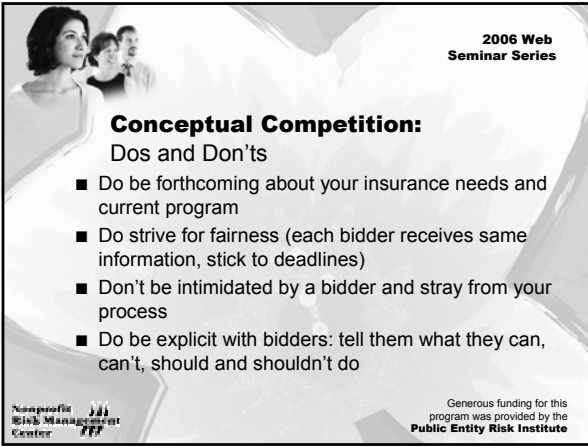


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Conceptual Competition

- Choose your advisor first, through a process that will help you match your needs with the skills and abilities of an agent or broker
- Integrity in your process leads to the best result
- "Leap of faith" required—the "winning" bidder will be able to secure the coverage your nonprofit requires at a price you can afford

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Conceptual Competition:
Dos and Don'ts

- Do be forthcoming about your insurance needs and current program
- Do strive for fairness (each bidder receives same information, stick to deadlines)
- Don't be intimidated by a bidder and stray from your process
- Do be explicit with bidders: tell them what they can, can't, should and shouldn't do

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Thank You!

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