Putting Your Insurance Program Out to Bid

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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

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

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?

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.
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

Evaluate Your Provider
- Responsiveness
- Timeliness
- Credibility
- Commitment
- Claims handling
- Accuracy
- Results

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
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

Choosing a New Provider

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

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
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

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)

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
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

Thank You!

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