

## Ten Tips for Buying Insurance

Many nonprofit managers dread the insurance purchasing process. An insurer may demand a lot of information, but then decline to offer a policy. The process may seem to waste valuable time and resources.

However, insurance is an important risk management tool. Insurance protects against catastrophic losses, stabilizes expenditure flow, preserves earnings and resources, and provides settlement money so that small claims do not turn out to be big ones. Insurance gives your staff the peace of mind that they will be protected in the event that a claim does arise.

Many nonprofit managers dread the insurance purchasing process. Here are 10 suggestions to make the process effective and efficient.

The suggestions below should make the insurance purchasing process effective and efficient. Attention to detail ensures that the insurance policy covers your organization's risks, and that it is purchased at the best possible price.

1. **Give the underwriter a reason to write the account.** Each underwriter has basic underwriting guidelines, but these guidelines do not, and cannot, address every situation that is likely to arise. Emphasize your organization's good works, prevention and risk reduction programs, and professional operation. Give the underwriter a reason to fit your organization into the guidelines, and to make an exception for your organization if necessary.
2. **If you have a renewal quotation for an existing policy, say so.** Give the underwriter a baseline from which to start. Let him/her match or beat the other quotation. Use the other quotation to negotiate more favorable terms.
3. **Build in time for an underwriting review.** If you send the insurance application to the underwriter well in advance of the desired coverage date, the underwriter has a chance to review the submission and ask questions. The lead time also gives your organization a chance to understand the features of the insurance product, to solicit competing quotations, and to compare competing terms.
4. **Complete the application!** Every question on an application form is important to the insurance company. An incomplete application will either be declined outright or sent back to your organization for completion. A quick glance will save a lot of time in the long run.
5. **Attach all supporting information.** An insurer will consider its requested information to be important to accurate underwriting. List the enclosed items in your cover letter and ensure that each item is in the package prior to mailing.
6. **Provide accurate and truthful information, preferably in writing.** False information may only be discovered by the insurer when you file a claim. By then, the insurer is generally within its rights to deny coverage, and your organization is deprived of the protection that it thought it had paid for.

7. **Anticipate questions and answer them up front.** In consultation with your insurance agent, provide any necessary explanation for the answers on the application and unique exposures that your organization may have. In a single submission, give the underwriter sufficient information to evaluate the risk.
8. **Promptly respond to requests for information.** A prompt response not only saves time, but it highlights your organization's professionalism and willingness to cooperate.
9. **Negotiate quotation terms with respect.** A clearly unacceptable quotation may result from an honest mistake, unreasonable underwriting guidelines, or a misunderstanding about the risks involved in your operations. While you should question the basis of the quotation and try to alter the terms, do so in a way that will not alienate the underwriter. Give him/her a chance to act reasonably.
10. **Offer alternatives for unacceptable quotation terms.** If an insurance quotation is unacceptable, offer suggestions that will improve the terms. For example, if the insurer refuses to cover an activity, offer to institute an insurer-approved risk management plan as a condition of coverage and to accept a higher deductible. Show your organization's willingness to work with the insurer to find a win/win solution.

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