

Is One Quote as Good as Another?

I had a most interesting situation last week regarding the basics of coverage and whether or not a competing quote is of any value at all.

This situation is a really good example of how to get and keep control of an account if your insured is shopping and claims they have competitive terms.

The high-level overview is as follows:

1. Our insured is a real estate consultant providing consulting services to the hospitality industry and court-appointed receivership services, among other things.
2. Our renewal terms are pretty expensive, as we have a lot of retro, the risk is domiciled in California, and these are not low-hazard classes of business to write.
3. The insured went to a competing agent and advised that he had procured terms for I kid you not about 25% of our terms.
4. My agent advised that we had to beat those terms, or the insured would move.

Knowing the nature of the risk, I knew something had to be wrong with those competing terms.

I pressed and pressed the agent for details regarding those terms. The insured apparently did not really want to give him last look, or the insured hadn't received forms and endorsements, or maybe not even a formal quote. I never could get ahold of the terms themselves.

I asked the agent to have the insured check the competing terms and confirm the nature of services covered. Just a hunch I had that the court-appointed receiver exposure probably was not included in that pricing.

Eventually the agent found out who the carrier was, and it happened to be one of our markets that will quote to all brokers submitting a piece of new business. I told the agent that if the terms were valid, we could write the same policy for the insured, and no need for a Broker of Record letter.

I didn't think the market indicated actually had an appetite for this type of risk, so of course I had not previously submitted there. I sent the submission in to see what kind of terms I'd get back. I fully described the insured and disclosed all their operations.

The market declined, and upon checking their records found that the quote they had previously issued was for the covered services of "management consultant".

Three things very wrong with this picture:

1. The competing agent had not accurately or truthfully represented the insured to the carrier.
2. The terms received through this inaccurate submission did not cover the insured's services.
3. The insured was exposed to the possibility that the policy would be rescinded due to a material misrepresentation.

We'll never know what worst-case scenario would have developed, because the market pulled the terms provided based on the misrepresentation.

The very most important thing to note here is that because professional liability policies are "named perils" policies, so to speak, if the perils named in the policy are not the ones the insured is subject to, there is no coverage.

In this case, the insured would be covered for its management consulting activities (of which there were none), and would not be covered for its real estate consulting or receivership activities.

Now, tell me: How much is that policy worth, compared to the renewal terms we presented that covered the insured's actual activities?

This is the perfect opportunity for an agent to demonstrate his or her value to the insured. A lot of what I deal with subtleties and small differences in wording that may or may not result in a difference in coverage down the road. But in this case, there's nothing subtle or small about the differences between our renewal quote and the competing terms.

Keep this in mind the next time you're competing against terms that seem too good to be true. If they're highly competitive, especially with a market that should not be writing that type of business, either there's a special program in play, or there's something wrong with the terms.

The lesson to take away from this is that professional liability quotes are not fungible, and you will want to use every means at your disposal to get a copy of the competing terms, including forms and endorsements. Figure out a way to get across to your insured that the "professional liability quote" he has received may be less than worthless compared to what you're offering, and the only way to know for sure is for you to take a look at it and apprise him of any issues.

Once you have those competing terms in-hand, you may find any number of things that affirm your solid position as the agent offering Value, not just a cheap price.