Yankee Oilman Magazine

Reprinted with permission from the January 1994 issue of *Yankee Oilman Magazine*

Controlling Insurance Costs By Selling Yourself

Dealers can control insurance costs by marketing themselves as a "good risk"

Why can one company with a huge loss keep its insurance costs competitive while someone else in the same position pays big premiums?

Informed oil dealers use a process called "marketing your insurance." If you rely on a broker to market your insurance needs, you are probably purchasing insurance in the dark. If you undertake the process yourself, however, you'll improve the odds of getting the coverage you need at the lowest possible cost.

The reason for this is that insurance carriers are driven by the idea that history repeats itself. If you are a good risk, you'll be a good risk in the future. If you've been a bad risk to the insurance carrier, you'll be a bad risk in the future.

How do you position yourself as a good risk? Begin by understanding what the insurance carriers look for when they examine you, your company and your application.

They look for:

- A quality application
- Low frequency and favorable experience
- Knowledge of the basics of risk management
- Modern or well cared-for equipment and premises
- Loyalty to an insurance carrier

A Quality Application

A busy carrier sees more than 100 applications a week. Some of these applications are timely, neat and complete. Others are a mess. If either you or the agent submitting your application is perceived as disorganized, you could be in trouble. The carrier sees the application as a reflection of how you run your business.

You should know exactly what your agent sent to an insurance company. Also, if you asked for a quote from more than one agent, you should know to which carriers those agents sent your application.

Suppose that a carrier receives an application for you from more than one agent and the applications differ (which they probably will, if you haven't checked them). A busy carrier is not going to spend his time on multiple applications with different specifications. In fact, if your agent isn't a specialist in the petroleum industry, he may be learning the business at your expense, and a carrier will notice this.

Here are some things you can do to avoid such a situation:

- Ask about the agent's experience in your class of business. Is he a specialist or generalist?
- Ask the agent for his best two or three carriers in your class of business.
- Give the agent formal appointment letters only for those carriers.
- Know what information agents put in your application. If you don't, ask for a copy.
- Make sure that each agent is given the same accurate, up-to-date information.

Michael V. Ferreri

Low Frequency, Favorable Experience

A loss run is a tabulation of your carrier's experience with your business over the last three to four years, and it is available to you if you ask for it. Having a current loss run on hand will give you an accurate picture of losses and the premiums you have paid.

You'll want to give a copy of your loss run to a new agent quoting your business. If the loss run shows a large claim, attach a sheet explaining the claim and what you have done to prevent it from happening again. In short, get involved. Twenty minutes could save you thousands of dollars.

When you analyze your loss run, remember that if you have many incidents (frequency), the carrier will perceive you as a bad risk. You may also drive up your workers' compensation experience modification.

Basics Of Risk Management

Risk management is analyzing the exposures facing your business and taking action to reduce and avoid them and/or transfer them to an insurance com-pany or other party.

In practical terms, here are some things you can do to manage your risk:

Summary of Losses for ABC Oil

	1993			1992		
Type of Insurance	No. of Claims	Amount of Claims	Premiums Paid	No. of Claims	Amount of Claims	Premiums Paid
Fire	0	$0	$600	0	$0	$901
Auto	1	$0	$11,000	3	$12,000	$11,000
Workers' Comp	1	$500	$12,000	1	$2,000	$9,000
Liability	1	$900	$1,000	0	$0	$1,200
Total	3	$1,400	$24,600	4	$14,000	$22,101

This is a sample of a chart you should have on hand for insurance carriers. The chart should cover four years and include up-to-date loss runs. If you are too busy to compile the information, have your insurance agent do it.

(continued on back)

- Use deductibles and avoid trading dollars with the carrier.
- Fully or partially self-insure physical damage exposures.
- Have data and loss runs on hand.
- Monitor the insurer (audits and losses) and rating organizations (such as the National Council of Compensation Insurance).
- Properly maintain vehicles and document everything.
- Identify problem drivers by checking driving records before hiring.
- Analyze leases and contracts to make sure the contractual language clearly defines responsibility. If the language is not clear, you could face a legal battle in the event of an accident requiring an insurance claim.
- Use physical exams when hiring.
- Communicate your expectations and accident avoidance ideas to your employees.
- Get people back to work or light duty after an injury.
- Keep doing all of the above.

If you practice this type of risk management, you will minimize claims and save money. The rule is, you pay for your own losses over time. Frightening, isn't it?

Well Cared For Equipment And Premises

Housekeeping is right up there with flag, mother and country to insurance carriers and even some agents. Most carriers believe that if it is neat, it won't go "boom."

Review your premises before anyone visits concerning your insurance. If you have newer equipment, you are ahead of the game. If you have older equipment, make sure it is well maintained. After all, things break on older equipment and, to a carrier, an old oil truck that isn't operating properly is a risk.

A formal maintenance program, including a log, verifies that you maintain your equipment and are a responsible business person, who is proud of his equipment.

Loyalty

This isn't as self-serving as it sounds. It's about making money. If you ask a number of agents to quote your insurance each year, you may be hurting yourself.

That is because there are perhaps only 10 insurance carriers that are serious and knowledgeable about petroleum marketers and offer any pollution coverage.

The agents looking for your business may provide multiple submissions concerning your company to these carriers every year. That can give a carrier a bad feeling about your account.

It is expensive for a carrier to process and quote your account. If he sees multiple submissions or submissions every year, he may decide to simply go through the motions, supposing that even if he gets your business, you'll only stay with the company for a year.

The point is: Because there are a limited number of carriers, you should control to which carriers your agent submits your application.

A busy carrier sees more than 100 applications a week. Some of these applications are timely, neat and complete. Others are a mess. If either you or the agent submitting your application is perceived as disorganized, you could be in trouble. The carrier sees the application as a reflection of how you run your business.

If you meet these conditions when you seek insurance, you'll be in a good position to control your insurance costs.

Remember that you are only granted a few minutes with a carrier. You must make every effort to give a positive impression — to sell yourself.

Michael V. Ferreri, *President*

P.O.Box 534
Plainville, CT 06062
T:860-747-6885
F:860-747-2769

We are... **Insurance Professionals**
Plainville, Southington & Farmington

INVATECH Lic. No. 001012554