

Know the score

The value of premium value statements **Interviewed by Elizabeth Grace Saunders**

If you think business insurance premiums only cover paying claims — think again. Many business insurance carriers include a wide variety of value-added services in their premiums. In order to maximize the benefit of your business insurance, you should know what services you receive and what options are available. Then your insurance agent should work with you to determine which ones best meet your business's needs.

"We have formed a business customer council, which has provided tremendous feedback on needs and perceptions," says Steve Fisher, CPCU, senior executive with Westfield Insurance. "One of the perceptions is that insurance carriers pay claims and that's it. The premium value statement helps change that perception."

A premium value statement acts as a comprehensive breakdown of the numerous benefits a company receives in return for its insurance premium payment. This document can help company leaders analyze the current services they receive from their carrier and make the most effective decisions about their choice of future carriers and services.

Smart Business learned from Fisher about how a premium value statement is an effective tool for evaluating insurance benefits.

What types of value-added services can be included in business insurance premiums?

One such service is collaborative risk control where a representative from the business, usually the safety director or someone charged with the safety/risk control responsibility, teams up with the insurance company's risk control representative. These professionals work together to design and implement policies and procedures that manage risk and reduce losses. This proactive approach aims to decrease the number of claims and lessen the impact of claims that do occur. The impact of reducing losses goes beyond dollars to also include creating a safer workplace for employees, reducing time away from work due to onsite accidents, increasing driver and fleet safety and improving other areas.

Value-added services can also include



Steve Fisher, CPCU
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working directly with claims personnel from the insurance company, before and after any losses occur. Most business customers are familiar with after-loss contact, but many business owners don't have a relationship with their representative before a loss occurs. Establishing lines of communication from the beginning of the relationship engenders a tremendous amount of goodwill and leads to smoother communications after any losses occur.

Insurance carriers can also provide loss trending reports that help determine what safety and training programs are needed from the risk-control area. This helps businesses focus their resources on the programs that will offer the largest return on investment. Most insurance carriers can also customize claim reports for their larger business customers that better match that business's reporting requirements.

Customized billing is another value-added service that carriers can provide. As any business owner knows, cash flow is imperative to success. Some insurance carriers work with mid-sized and larger customers to design a plan that aligns with their business's cash flow needs. Other value-added services are available and depend upon the premium needs of specific business owners.

How can a premium value statement help businesses with the renewal process?

Premium value statements are designed to outline as many of the services provided as possible. This tool acts as a starting point for dialogue during the renewal discussion among the business owner, agent and insurance carrier. Too often a renewal is delivered with an invoice without much discussion. The premium value statement facilitates discussion about what the insurance carrier provided and what the policyholder truly valued.

How can a complete understanding of premiums help justify insurance premiums to upper management?

The premium value statement helps justify the cost of insurance to upper management because it shows what services are being received for the premium dollars spent. Business insurance is not a commodity product where the lowest price always wins. Fortunately, many business owners recognize that their insurance is more than a commodity: It is a relationship with trusted experts in the areas of financial protection, risk management, and ensuring safe working environments and procedures.

How can a premium value statement help you analyze the bottom-line impact of your insurance premiums?

The purpose of the premium value statement is to foster discussion of what has been provided and, even more importantly, what is needed going forward. Once that discussion is held, then a needs analysis can occur. The premium value statement is the gateway to the discussion concerning proper allocation of the business owner's resources. Insurance carriers want to help business owners allocate resources effectively because they don't want them to pay for what they don't need — only for what they do.

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