



# Bidding Insurance



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Each renewal or new business presentation I go through indicates that many aviation managers could benefit from a structured approach to bidding their insurance program, plus managing how their business is presented to the appropriate insurance markets. The brief "Insurance Bidding Process" outline that follows reflects my objective of providing you with the right information to better manage your overall program. The basis for this material comes from an Insurance Institute study that we have used extensively at AIR-SUR, INC., to structure our service programs to be as responsive as possible.

## Insurance Bidding - An Effective Tool

The insurance bidding process can be an effective tool for the knowledgeable buyer to use for reducing premiums, improving coverages, selecting the right insurance carrier and selecting the right agent or broker to manage their account. While this process can stimulate healthy competition, "bidding" too frequently can be detrimental as too much "shopping" can reduce market interest in your account, plus not provide for any long term relationships that can be critical in acquiring adequate coverage in adverse market conditions. As a general rule of thumb, you should not bid your account more than once every three to five years unless adverse circumstances dictate otherwise.

Over all, the bidding process has five major parts that work in approximately the following order:

### I. Agency / Broker Conceptual Proposals

Four to six months before renewal, ask a number of agents/ brokers to present in written format an overall presentation of their capabilities, systems, and personnel. The goal is, through review, to narrow this group down to a few firms that can service your aviation business insurance needs adequately. Use oral presentations to select the final 2 potential vendors.

### II. Market Allocation

I'm sure you have heard many horror stories of the same account being presented by two or more brokers to the same market, or one agent "blocking" all the available markets to reduce his/her competition. Neither one of these situations is to your advantage, plus they have the potential to hurt your opportunity by prematurely prejudicing a market adversely.

To avoid this, ask your top 2 potential vendors to present to you in order of priority the 3 possible markets they would present your account to. As you review these lists, assign each particular vendor specific markets, and remove any duplication by assigning that market to the vendor who had it as the highest priority. This market allocation process goes a long way to giving your business the "fairest" presentation to all potential markets.

### III. Insurance Specifications

As you develop your list of 2 potential vendors, begin developing a detailed list of insurance specifications that each will be asked to respond to. DO NOT just provide a copy of all your current policies - this leaves your operation exposed to repeating existing problems; gaps in coverage, out of date information and other missing or inaccurate information that could perpetuate or develop into more serious gaps in coverage. Instead, develop an outline that includes a detailed description of your business and operations (including a fleet list), a list of insurance lines needed, coverage and liability limits needed for each line, a complete loss history for the last 5 years, and a list of key personnel and their capabilities. Make sure each vendor gets the same information. While traditionally you may have relied on your broker to develop this for you, you should set the overall requirements yourself, and then ask them to augment it with their expertise.

### IV. Competitive Proposals

With the markets assigned and each vendor having the necessary account information, ask each to develop a detailed presentation as to how your business will be insured. Set minimum expectations for their presentation to include such items as lines of insurance recommended, limits, premiums, reporting requirements, billing requirements and procedures, risk management proposals, and other administrative services provided by them to help you manage your program. Require each to make their proposal in person to you and/or your staff.

### V. Selection Process

Obviously, a lot of your thinking will go into this process. Yet, besides the coverages proposed and the premium presented, there are several other critical considerations when selecting the appropriate vendor. Remember, this should be viewed as establishing a relationship, not just

selecting a supplier:

### **1. INDUSTRY EXPERTISE:**

Evaluate their knowledge of your industry - of your specific business - as well as the insurance industry. This person will become (for better or worse) an advisor to your business because insurance impacts so much of what you do. (And yes, it is like a marriage.) Look for evidence of continuing professional development, insurance schools completed, professional designations, etc.

### **2. GENERAL INSURANCE KNOWLEDGE:**

With so many different exposures in today's aviation operations, be sure the vendor you select can manage other insurance lines to reduce coverage gaps and the potential for an uncovered loss.

### **3. EXPERIENCE:**

Make sure the vendor you select has a proven track record on similar accounts - ask for references and check them out. Find out their length of time in business, involvement with industry trade associations, etc.

### **4. MARKET ACCESS:**

In addition to the markets you've assigned, how does each vendor work with all the markets? What are their marketing capabilities, reputation, etc.? Ask for references from the market(s) they will be placing your business with.

### **5. STAFF ASSISTANCE:**

Who outside of the principals will be handling your account? What are their skills, experience levels, professional designations? How much access will you have to their staff, etc?

### **6. RISK MANAGEMENT ORIENTATION:**

This is a critical consideration, because risk management is a tool for formulating insurance needs for the future - it looks ahead. Too many vendors are just insurance managers, administering policies and not providing that critical counseling function that is crucial to avoiding future problems. How do your vendors rate on this topic?

There are obviously many more facets to the bidding process than I can possibly cover here. The key issue remains, however, that the growing complexity of your business requires more than just coverages, it needs a full range of risk management and insurance services to protect your future properly.

And, in the long run, I am firmly convinced that the more knowledgeable you are about purchasing your insurance program, the more value our programs and services will be to you and your operation.