

Be Selective When Choosing an Insurance Carrier

By JoAnn L. Hathaway

All insurance carriers are not equal. As a result, prospective policyholders should learn some insurance basics—specifically, how to assess which insurance carrier best fits their needs.

Financial security

In the Oscar-winning movie *Jerry Maguire*, a mercurial football star played by Cuba Gooding Jr. implored the struggling independent sports agent played by Tom Cruise to “SHOW! ME! THE! MONEY!” This memorable line lives on to this day, but it shouldn’t be a guiding principle; too many professionals purchase insurance policies based on premium cost and not the financial integrity of the insurance carrier.

Where can busy professionals go to assess a carrier’s financial strength? A. M. Best has developed a rating service called Best’s Financial Strength Rating, providing information on an insurer’s financial strength and ability to meet its ongoing policy and contract obligations. Accessing the results through A. M. Best’s Insurance Reports and its website requires a subscription, but the ratings are available for free on an insurer’s

website. Those working with an insurance broker can also ask the broker to provide ratings of individual carriers. A guide and key to Best’s rating table is available at <http://www.ambest.com/ratings/guide.pdf>.

Policy premiums

Price is always a factor when choosing coverage, as it should be. However, comparing quotes from various carriers can be like comparing apples and oranges. Here is where an experienced insurance broker can, and should, be able to help you.

Numerous factors go into the insurance underwriting process, and while policies may be similar, they may also have coverage differences that can affect pricing. Factors influencing pricing can include policy limits, retentions and deductibles, claims history, geographic location, and other issues a carrier may view as affecting your risk as an insured.

Carrier licensing

With a few exceptions, an insurance carrier has to be licensed in the state in which it wants to do business. Once a carrier is licensed, it is considered “admitted” and is regulated by the state. (There are instances when a “non-admitted” carrier may write

coverage in a state, but that’s a topic for a different article.)

To ensure an insurance carrier is licensed in a state where you do business, access licensing information on the National Association of Insurance Commissioners website (<http://www.naic.org/index.htm>) through its Consumer Information Source page (<https://eapps.naic.org/cis/>). A state-by-state report by insurer can be generated by choosing an insurer in the search box and selecting the licensing option.

Customer service

You can, and should, expect excellent customer service when circumstances warrant filing a claim. After all, that’s why you have coverage in the first place. However, insureds often find out the hard way that a carrier’s claims handling is less than optimal. It pays to research a carrier’s reputation before signing on the dotted line. While this process can be rather subjective and time-consuming, there are resources available to help you get the answers you need.

Industry associations

Checking association resources within your industry can prove helpful. Many association websites contain information about

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insurance carriers with in-depth reviews and links to other resources.

Insurance periodicals

Industry-related periodicals can provide useful information. One such source is the Business Insurance magazine website (<http://www.businessinsurance.com/>). It contains a wealth of information including news articles, blogs, and helpful links.

Insurance commissioners' websites

Visit these websites for a deep dive. Each state has its own site, but finding each state's page can be difficult; thankfully, the National Association of Insurance Commissioners has a dedicated page (http://www.naic.org/state_web_map.htm) with links to every state. It also provides information on complaints made by insureds against individual carriers on its Consumer Information Source page.

Peer networking

Finally, talk to your peers. Who are they insured with and what experiences have they had with their carriers? Don't limit your conversations to one source. Also, realize that others may be uncomfortable sharing their claims history with you, which is why it's wise to talk to as many people as possible.

Choosing insurance coverage shouldn't be difficult. A little research can help you make an informed and knowledgeable decision. ■

JoAnn L. Hathaway is a State Bar of Michigan practice management advisor. Previously, she worked as a legal liability claims director and risk manager. She is an Adobe Acrobat certified expert, is certified in LexisNexis Time Matters and Billing Matters software, is a licensed insurance agent, and holds the designation of registered professional liability underwriter. JoAnn is a frequent speaker on law firm technology and risk and practice management topics.

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