

Your Insurance Broker: Providing Value Beyond Just Finding Carriers

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Even though current financial markets are in a state of flux, and floods and hurricanes have recently wreaked havoc on Midwestern and Southern Communities, the insurance industry is still flush with capacity. Therefore, the soft insurance market continues, and rates are at some of the lowest seen in years.

This is to the advantage of many health care organizations who may want to consider alternative options in risk financing before the market hardens with premium increases and the loss of important terms and conditions. In the

past year, you probably have had a broker contact you to discuss business opportunities. The basic service a broker offers is risk assessment and insurance placement, but many brokers also have expertise that will assist your staff in their day to day risk management activities. Brokers can also assist your organization with planning and preparing for the next insurance market turn. So how do you evaluate which broker is right for your organization? A broker's value lies in the ability to obtain broad coverage at an equitable premium. The broker is the facilities partner in assessing and mitigating risk exposures. And while this may seem simple, the process itself is complex. You can expect your broker to perform the following activities:

1. Meet with you to review your current insurance program and operations to design a program that is specific to your organization's needs. It is not uncommon to begin an insurance renewal 120 days before renewal. And if an organization is considering engaging in an alternate risk financing arrangement like a large retention or captive, a feasibility study may be needed which may

be started a year or more in advance.

2. Help you prepare your insurance submissions to ensure a quality submission. Incomplete or discrepancies in information may not only cause delays in obtaining quotes but also may contribute to an underwriter declining to participate in your insurance program.

3. Negotiate terms and conditions of coverage and price with underwriters selected from the insurance carrier(s) that best meet your needs. By knowing your organization, its services and strengths, your broker account executive can work with underwriters, pointing out what sets your organization apart from others, to obtain the best possible rate.

4. Monitor and provide you with information on the financial performance, stability and service options of prospective carriers so that your senior management team can select the program that works best for your organization. Your broker's account executive will also be able to explain the advantages and disadvantages of your insurance options.

5. Review selected policies to ensure compliance with negotiated

terms, and that declarations and endorsements are completed and attached to your policy.

6. Answer questions related to policy coverage.

7. Issue certificates of insurance as needed by the organization.

8. Monitor policy terms, conditions and exclusions, and advise you of those affecting your health care operations. Your broker will also keep you informed about new exposures and insurance policies created to cover them.

9. Check invoices, audits and premium adjustments for accuracy.

Other brokerage functions supporting insurance placement and renewal specific to healthcare operations may also be of value to you. These services often vary with the size of the brokerage firm and may be located outside the office servicing your organization. These include:

1. Risk management - Healthcare risk management specialists will coordinate loss control services from your selected insurance carrier or provide/arrange for services not available. They are able to review survey recommendations - both insurance carrier and regulatory - to provide you with assistance in formulating acceptable responses. They will also help to keep you informed of current risk management issues. Such specialists may have various backgrounds including clinical, workers compensation, property/safety, and human resources to name some of the most com-

mon areas of expertise.

2. Claims handling and loss stratification reports - Claims staff are able to process actual and potential claims to the insurance carrier on your behalf. They will monitor the status of existing claims and act as an advocate on your behalf if concerns arise in the disposition of a claim. For self insured organizations, or those considering large retentions, brokerage claims departments may assist in obtaining proposals for third party administrators, and some firms may have affiliated organizations whose function is third party administrators.

3. Contract review - Most contracts contain indemnification agreements or clauses addressing assumption of liability. Brokers will review such agreements to ensure that contractual language does not necessarily expose the organization to unforeseen liability. They will also advise if existing insurance will cover any such agreements entered into by the insured organization.

4. Alternative risk financing - While the traditional insurance market may have been the best option in the past, other methods of risk transfer, e.g. captives or risk retention groups, may provide a better option now. Your brokerage firm may be able to analyze past losses and make loss projections to provide you with alternative insurance options that may be more comprehensive or cost effective. In some cases, a feasibility study involving actu-

arial projections is advisable before an alternate risk financing mechanism is recommended.

5. Cost of risk - The value of risk management activities is difficult to quantify. Industry cost of risk - insurance premiums, retained or uninsured losses, administrative costs and risk control/loss prevention expenses - can be expressed and then analyzed. Assistance given with benchmarking costs internally and comparison with national data may help demonstrate the effectiveness of your risk management program.

Remember, your insurance broker represents your organization. It is important that you work with a broker that meets your individual needs, and those needs may vary over time with changes in your organizational operations or staff. Take advantage of their specialized knowledge and expertise in the field and use their value-added services. It can only make your job easier!

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