SurelyticsRM

STRATEGIES FOR PREMIUM COST CONTROL

Here are some tips that will more than likely result in a premium reduction if applicable to your coverage.

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SHARED OR SEPARATE

Many are not aware, but one of the most profitable aspects for insurance companies is selling separate limits on package policies.

While a shared limits policy offers a lower policy aggregate, have you ever pondered the likelihood of experiencing multiple aggregate claim events in one policy period? Yes, such incidents could occur, and inevitably, they will affect someone; however, is it justifiable to allocate 3-7% of your policy's premium to cover such a rare event? The math is straightforward – this often represents an inflated cost.

In the vast majority of scenarios, businesses have the option to purchase additional limits above these primary policies through an excess liability policy. This market boasts abundant capacity and a competitive environment with numerous insurers vying for your business. This not only ensures adequate protection but also promotes financial efficiency.

USE THE MARKET

Consider actively seeking quotes or signaling your intention to do so at each insurance renewal period.

Some brokers might caution against this approach, suggesting it could jeopardize your relationship with your current insurer by appealing to emotional biases and potentially reducing their workload; however, it's essential to remember that insurance companies operate with a business first mentality.

Often, your account may be evaluated by an underwriters seeing your account for the first time who is detached from those managing claims and may scrutinize every detail to avoid payouts. Given this dynamic, it's crucial to prioritize your interests.

Businesses typically invest significant amounts into insurance premiums annually, ranging from thousands to millions of dollars. Using the competitive nature of the marketplace is one of the few controls that insureds have for mitigating these high and increasing premium costs.

AT A GLANCE

GO SHARED

- Separate is overpriced
- Buy the limits on the excess
- More competition in excess

MARKET IT

- Insurance carriers aren't friends
- They will charge you more if you let them

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TRIA

Since its inception in 2002, following the $40 billion in losses from the 9/11 attacks (amounting to $67.8 billion adjusted for inflation), the Terrorism Risk Insurance Act (TRIA) has served as a pivotal financial safeguard. This program enabled the reinsurance market to confidently cover terrorism related risks following the attacks and provided a necessary backstop to preserve the viability of terrorism coverage.

For the program to be utilized, it must be triggered by a certified act of terrorism. This is the consensus of the Secretary of the Treasury, the Secretary of Homeland Security, and the Attorney General when a potential act causes losses exceeding $200 million in damages.

TRIA has been renewed five times by the federal government with each renewal slightly modifying its provisions. A key feature from the 2007 renewal is the government's ability to recuperate expended funds by imposing a surcharge of up to 3% on all applicable insurance policies in the U.S. to fully recover the costs of the payouts.

TRIA is also not a separate insurance policy and adheres to the terms and conditions of the policy it is purchased on. This means that typical policy exclusions, such as those for nuclear events or certain types of physical damages, can unexpectedly affect the payout of a TRIA claim. Furthermore, the act stipulates a coverage limit of $100 billion. If losses surpass this threshold, claims payments are proportionally reduced to ensure the total does not exceed that cap.

Despite the billions in premiums collected over the past two decades without a single dollar paid in TRIA claims, the cost of adding TRIA coverage to a policy remains surprisingly high, often reaching into the thousands for policyholders. With the program slated to expire in 2027, it could potentially end its availability without it ever being utilized.

Considering the significant premiums paid for TRIA alongside its unlikely utility, it might be time to reassess the allocation of your risk management budget. Engaging with SurelyticsRM for could uncover more immediate and statistically probable risks facing your organization.

AT A GLANCE

DECLINE IT

- If it isn’t included for free, decline it every single time
- It probably will never be utilized
- Schedule time with SurelyticsRM instead.

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