Good Management Lowers Premiums

How do insurance companies measure good management? And, how does this measurement affect policy premiums?

Insurance companies judge management superficially (housekeeping, deferred maintenance), more in-depth systems analysis (employee selection process), financially (credit checks) and attitude toward safety (cooperation with risk personnel). Positive results earn schedule credits which reduce premiums.

Schedule credits enable insurance companies to reward conscientious management with the long-term commitment to reduce losses. The insurance company wants to partner with risk avoiding management, so they lower premiums to attract these risks.

Insurance companies use diagnostic tools to measure the quality of management. Accounting measurements, physical property surveys, human resource surveys, psychological tools, and, of course, loss history data combine to paint an overall management picture.

Accounting measurements include reviewing financial statements, credit reports, tax forms, and management control systems. Is everything up to date? Do all the data agree for an easy audit trail? Is the company candid about finances?

Physical risk surveys include a report on management results. An untidy workplace suggests lazy management, or an undisciplined workforce. Neither is good for business or loss prevention. If in-house automobile maintenance facilities are not kept neat, management attitude towards maintaining vehicles properly is questioned.

Neat, orderly premises imply pride in ownership and professional management. Deferred maintenance and chaos suggest either poor management, the beginnings of bad credit, or absentee, uncommitted ownership.

Sincere interest in loss control surveys, suggestions, and recommendations indicates cooperation. Safety is a function of cooperative efforts. Taking corrective actions when asked, keeping OSHA logs up to date, knowledgeable responses to claims questions, having safety equipment on hand and up to date all indicate a safety culture appreciated by insurance companies.

How does the company handle employee recruitment and training, particularly drivers? If this system qualifies employees in terms of knowledge, skill sets, and attitude, more appropriate employees will be selected. The insurance company wants evidence of ongoing training for job specific skills and safety.

The psychology of risk management involves assessing the company's approach towards safety and loss control. Cooperation, responsiveness to recommendations, forthrightness in interviews, openness to inspections, commitment to safety, and good record keeping contribute to management attitude.

The company interested in long-term profitability does not skimp on loss control or maintenance. Easily administered systems remind employees and supervisors of their safety culture.

All these data are collected and reviewed to determine the management input to insurance premium rating: scheduled credits. These credits must be rationalized by the underwriter. Scheduled credits can impact premiums up to 25%. Good management pays well.

Scheduled credits are earned by well managed, safety conscious companies. Unfortunately, poorly managed businesses earn debits, increases in premium, the same way.

Take a look around your business today and think about how you can earn a few more credits. As your risk partner, we're here to help you obtain and maintain the most cost effective insurance program. Christi Insurance stays involved with your business 365 days a year, not just at renewal. Contact us today!