

If You're Unhappy With Your Earthquake Renewal: It May Be the Message, Not The Messenger!

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It's no secret: The losses from Hurricane Katrina, Rita, Wilma and Heidi have had a devastating impact on the pricing of all catastrophe coverage.

In California, a market highly dependant on catastrophe insurance, earthquake prices and deductibles have gone sky high. And that's not all. The availability of coverage has also been a problem as several earthquake carriers have chosen to leave the California marketplace altogether. Even those carriers remaining are often only willing to write coverage in specific less damage-prone areas. Any insurance carrier that has the capacity to write new coverage has dramatically tightened their guidelines. Some carriers have chosen only to insure newer projects (built to the latest seismic standards) while others may write some older projects, but only if they are free of tuck-under or soft-story parking (the style of parking that failed in the Northridge Earthquake).

"These prices are Outrageous! Get Me More Quotes!" No buyer is willing to accept higher prices without a fight and any commercial applicant asked to pay a higher rate is going to want to make absolutely certain that every available carrier has been approached and the price they're being asked to pay is, indeed, the very best available. If there are twelve commercial earthquake carriers left in a particular region, the retail agent must make sure his submission reaches all twelve carriers even though he knows that he will only be able to place the account with one of those twelve (if at all.) Imagine the paperwork that might create for each carrier?

Underwriters are inundated and overwhelmed. The few remaining earthquake underwriters are absolutely covered-up with submissions. A typical underwriter may have 250 to 300 submissions on their desk at any one time and the flow of incoming submissions seems endless. An underwriter may only be days ahead as files containing policies with expiring coverage dates loom. The constant stress from this burgeoning workload makes illness and absences a consistent problem. Some carriers won't entertain midterm submissions and will refuse to look at rushes arguing that either action only puts his response time to legitimate requests he's previously received further behind. Each day, as more submissions are placed on the top of his stack, he plods his way through the submissions which are the most pressing. Unfortunately, even working six days a week – an underwriter could still manage to only be two weeks ahead of the renewal date.

"Earthquake carriers are wholly unwilling to look at any submissions farther out." The impact on your retail agent is frustrating. While a typical retail agent will have a completed earthquake submission and forward it to the marketplace as much as 90 to 120 days prior to the renewal, when that submission reaches the underwriters desk, it's put in the stack with the rest of the submissions. Working the stack chronologically, he'll get to the submission when he gets to it. If it's an August 1st renewal, the underwriter won't look at it until his July 31st accounts are put to bed.

Pushing For A Quote may actually have a Negative Effect. By pushing an underwriter for an early quote, you may inadvertently not obtain the best possible pricing for your renewal. Putting together insurance programs (especially those that involve multiple layers) is a bit like assembling a jigsaw puzzle except that this puzzle requires putting together the best and strongest carriers, with the best terms (deductibles and forms) and, hopefully, with the most competitive pricing. By pressing for a quote too early, the retail agent may have not heard back from all the viable markets and would assemble the quote with only the markets that have responded to date. This can actually have a detrimental impact.

Patience is in short supply. In all likelihood your retail agent has worked hard to be your advocate and to obtain for you the very best combination of coverage and price possible – but in this environment, his best efforts can be impacted by a marketplace which really has been stretched to the limits. No matter how early he starts the process, it makes obtaining timely quotes a near impossibility.

If you've received a renewal date at the 11th hour – the likelihood is that it's not been your agent/broker who is the problem – it's a product of this temporarily crazy earthquake market. With Mother Nature's help, the losses will subside and the pricing will improve. In the meantime, it requires a great deal of patience.