

Handling Insurance Carrier Recommendations



As a business owner, you take on a certain level of risk—it's unavoidable. Losses related to fires, floods, workplace accidents, products liability and other kinds of exposures are common for organizations of all kinds.

To address these concerns, the right insurance policy can prove invaluable, allowing you to transfer risks and focus on growing your business. And while insurance carriers will cover an organization's losses, they expect their policyholders to reduce their level of risk whenever they can and often have specific risk control guidelines for each class of business they service.

In fact, insurance carriers play an active role in risk management, often assigning risk managers to inspect policyholders' facilities and work areas. If an issue is found during any of these inspections, the insurance carrier may provide recommendations businesses must follow in order to maintain coverage and avoid higher insurance premiums. This Coverage Insights provides general information on insurance carrier recommendations and how to handle them.

What Are Insurance Carrier Recommendations?

Insurance carrier recommendations typically stem from an inspection from a risk manager, often referred to as a loss or risk control inspection. These inspections may occur when a carrier writes a new policy or on a set schedule (e.g., once every three years).

Many insurance carriers utilize third-party vendors to conduct these inspections. This is especially common for smaller premium insureds.

Following an inspection, insurance carriers will provide recommendations if they identify an unacceptable risk at a business they insure. Oftentimes, these risks are tied to a specific line of coverage.

For example, an insurance carrier who provides property coverage for a restaurant may inspect the business, looking specifically at fire hazards and other exposures that directly impact the organization's property. If the proper risk management protocols are not in place, the risk manager will likely make a recommendation.

In general, recommendations are based on:

- Existing regulations from the Occupational Safety and Health Administration (OSHA), Department of Transportation (DOT) and Federal Motor Carrier Safety Administration (FMCSA)
- Local building and fire codes
- Established industry standards from the American National Standards Institute (ANSI), American Society of Mechanical Engineers (ASME) and National Fire Protection Association (NFPA)
- Industry best practices (e.g., implementing a safety inspection program)

Insurance carrier recommendations are part of a larger strategy commonly referred to as loss control, risk control or loss prevention. Together, these inspections and recommendations are designed to reduce the level of risk a carrier is taking on across a book of business.

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From a policyholder perspective, insurance carrier recommendations are opportunities to improve safety and limit the potential of disruptive and costly claims.

How Should I Handle a Recommendation?

Not every business will receive a recommendation following an inspection, but it's still important to understand the role your businesses plays in continued safety and risk management. What's more, if and when you receive a recommendation, it will often contain strong language and outline serious consequences if you fail to respond appropriately.

Knowing how to handle a recommendation ensures risks are identified and addressed in a timely manner. The following are some tips to consider if you receive a recommendation:

- Ensure the recommendation is based on accurate information and that it accounts for a legitimate issue (e.g., sprinkler systems are installed improperly). If you have any concerns related to a specific recommendation, talk to your insurance broker. They will likely have a relationship with the insurance carrier's underwriters and risk managers, and can act as your trusted representative and communicator.
- Make note of the date the insurance carrier wants you to address issues detailed in a recommendation. For simple recommendations, time might not be an issue. However, for more challenging recommendations (e.g., rewiring a building), you may want to speak with your broker and make them aware of any timeline-related concerns.
- Complete the recommendations as soon as possible and send any required documentation to the insurance carrier. Each carrier is going to

have different requirements—some may perform a follow-up visit while others may simply require you to confirm the recommendation was complete. In some instances, carriers may require businesses to prove a recommendation was addressed. As such, be prepared to provide evidence, such as receipts, photos, contracts or other supporting documents.

What If I Feel the Recommendation Is Not Warranted?

There may be instances where a business disagrees with a particular recommendation. For instance, the business may:

- Believe the cost to address a recommendation is too high.
- Disagree with more subjective recommendations.
- Believe the risk has already been addressed and that the recommendation is unnecessary.

In these situations, businesses will need to do their due diligence before they contest a recommendation. While the term "recommendation" may seem voluntary, insurance carriers expect their policyholders to address any issues brought to their attention. Organizations should work with their insurance broker when contesting recommendations and follow their guidance to avoid a loss of coverage or other repercussions.

What Are the Consequences for Failing to Implement a Recommendation?

Simply put, when businesses fail to implement a recommendation, the insurance carrier may cancel the policy if it is within their rights. And even if the policy is not canceled right away, the carrier may refuse to renew

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the policy or increase the policyholder's premiums due to a higher level of risk.

When this happens, some businesses may decide to change carriers. However, new insurers will likely make similar types of recommendations, and policyholders may be left with no other choice but to address their risks.

What's more, failing to complete a recommendation can open the door to increased liability. This is because businesses that are aware of an issue but choose not to address it may be viewed as negligent.

Additional Considerations

Recommendations are usually issued after a loss or risk control inspection. After the inspection is completed, consider speaking with the risk manager to discuss any concerns. This will not only give you a deeper understanding of the types of hazards present at your workplace, but it will also give you insight into the scope of the work.

Again, inspections are typically done when you are new to an insurance carrier or based on a cycle the carrier sets. If you are switching carriers, talk to your broker about risk areas the new insurer may have.

Above all, it's crucial to be prepared for insurance carrier recommendations. While there can be some subjectivity to recommendations, they are largely based on existing standards, and understanding the rules and regulations that apply to your business can go a long way toward managing your risks.

Don't take recommendations personally—insurance carriers are simply looking to minimize their risk. The more cooperative you can be, the smoother the process

will go. Contact Horst Insurance today for more guidance on insurance carrier recommendations.