

# Pre-Aquisition

## **The Searchers Pre-Acquisition Business Insurance Checklist**

1. **Rewriting Insurance** – When ownership changes, insurance must be rewritten. Carriers will inquire about the new owner's experience, and pricing could vary significantly from prior terms.
2. **5 Years of Loss History** – Premiums may not reflect increases tied to the most recent year of losses, as it often won't be reflected in the current pricing. A deep dive into the past five years of losses is crucial to identify any hidden cost factors.
3. **Market Conditions Report** – Broader economic trends can cause premiums to rise, even if there are no loss issues. Make sure to account for this when assessing potential increases.
4. **Workers' Compensation & Experience Mod Review & Projection** – Experience mods may not immediately reflect recent losses, as those are still seasoning. Running a mod projection ensures you don't face surprise premium hikes at renewal due to workers' compensation claims. This can be projected 12 months in advance.
5. **Current Insurance Placements/Representation** – Evaluate the current broker's qualifications. Is the agent a specialist in your industry? See my agent evaluation article for more details. Changes may need to be made in this area at the outset. **See tab 2.**
6. **Loss History Trend Analysis** – Analyze the causes of past losses to prevent similar issues in the future. A thorough evaluation can guide risk management strategies moving forward.
7. **Placements & Cost Reduction Opportunities** – Have an outside agent conduct a market analysis to assess the agent's work. Have they been shopping the market thoroughly, or are there key carriers they've neglected in recent years?
8. **Changes in Future Operations** – Operational changes may require changes in carrier placements. Stay proactive about adjusting as needed.
9. **Safety** – Use tools and training programs to minimize employee injuries and reduce liability claims. Proactively investing in safety measures can lower both insurance costs and the risk of claims. Some examples of this are telematics, learning management systems & osha training.
10. **Open Losses** – Are there any open losses? Open claims are a red flag to carriers and can negatively impact renewal pricing. It's important to address them promptly to avoid unnecessary premium hikes.
11. **Potential Unseen Audits** – Could there be any upcoming audits triggered by incorrect exposures or by sales exceeding prior years' projections? Make sure to review potential audit triggers to avoid unexpected costs down the line.
12. **Understanding the Insurance System** – Knowing how the insurance system works can lead to better pricing. A solid understanding of how underwriting, risk assessment, and pricing are determined helps you leverage the system to secure the best rates.
13. **Secure D&O and Reps & Warranties/Buyer Protect Early On** – Secure Directors & Officers (D&O) and Representations & Warranties coverage early in the acquisition process. There's also specialty products outside of reps & warranties for smaller acquisitions. These types of coverage can provide critical protection and help mitigate risk for both buyers and sellers.

# Broker Evaluation

## **A Searchers Guide to Evaluating an Insurance Broker (Property & Casualty)**

1. **Strong Renewal Process** – A good agent starts shopping 120 days before renewal. An agent who waits until 30 days prior is cutting it too close, as the insurance process takes time and last-minute price hikes are harder to avoid.
2. **Market Summary** – Your agent should meet with you annually, sharing a full list of quoted carriers and outcomes. If you don't see this, they may not be shopping around.
3. **Carrier Access** – Ensure your agent has access to a broad range of carriers. Smaller agencies may lack key carrier contracts.
4. **Specialist vs Generalist** – Specialists build stronger carrier relationships and offer better deals. Ask your agent about similar companies they work with.
5. **Avoid Dec Sheet Brokers** – Avoid agents who focus only on numbers and lack coverage knowledge. Look for agents with 5+ years of experience and certifications like CIC or CPCU.
6. **Workers' Comp / Experience Mod** – Your agent should review your experience mod every year. Proper management of this can control costs.
7. **Drug-Free Workplace** – Consider a drug-free policy to reduce workplace injuries. It can also help in defending workers' comp claims.
8. **Response Time** – Does your agent respond quickly? Fast communication is key. You want someone who's successful but not overwhelmed.
9. **Shopping the Market** – If you're unhappy with your agent, you can shop for better rates. Be aware that “shotgun shopping” can limit competition and drive-up costs. This must be handled strategically to maximize results.
10. **Market Trends** – Agents should keep you informed about market changes. For example, in Florida, auto/property rates have risen sharply. Know what to expect.
11. **Carrier Differences** – Not all carriers are equal. Your agent should provide a list of strengths and weaknesses for each option they present.
12. **Risk Management Tools & Solutions** – A strong agent should provide access to tools like drafting driver safety documents, learning management systems, telematics, benchmarking, deductible analysis, and experience mod projections. These resources can help mitigate risks and lower insurance costs over time.
13. **Loss History Trend Analysis** – Your agent should help you analyze loss trends to anticipate and control future losses. Identifying patterns in past claims can guide preventive measures and reduce long-term costs.
14. **Hands-On vs. Hands-Off Agents** – Does your agent delegate all the work to a team, or are they personally involved in your account? Sometimes, an agent with an obsessive attention to detail can be a huge advantage, ensuring nothing slips through the cracks.