

CAT Program for Mutual Insurers - Commercial Audit and Training

Commercial Insurance is the more profitable portion of insurance written in Canada and most insurers see commercial insurance as a key product to grow. With the increasing regulation of personal insurance by various governments, margins continue to be under pressure in auto and home insurance, but not in commercial lines.

Brokers also see commercial insurance as a major factor in their growth, profit and account retention strategies. Brokers are more interested and supportive of contracts with insurers who write commercial insurance and can provide competitive and knowledgeable commercial line underwriting, either alone or with personal lines volumes.

Most insurers wish to offer both personal and commercial facilities in order to support their brokers and retain volumes with them. Growth and retention for insurers depend on the ability and the quality of their commercial offerings. As well, profitability of commercial insurance is dependent on the training and experience of the underwriters, for acceptance and pricing of risks being the most important concerns.

Mutual insurers have historically focused on personal and farm insurance as their main product lines. However today many are growing commercial lines to support their volumes with brokers and agents. Commercial lines knowledge is usually not as complete as the stock insurers and as a result, considerable commercial insurance opportunities are not available to Mutual Insurers.

Mutual Insurers see the need to enhance the training and experience of their underwriters to effectively write and price adequately various commercial risks found in their community. However commercial training has not been at the same pace and level as large mutual and stock insurers. In addition, the underwriting protocols and audit functions required to ensure proper risk acceptance and pricing may have less that adequate strength.

OMIA provides training courses for their mutual members and many of them have taken the seminars available. In addition, some of the mutual employees have taken several Insurance Institute courses but fewer numbers have gained their professional insurance designations (AIIIC, FIIC). In comparison to the larger stock companies, the level of commercial lines training is considerably less.

As a result, there is a growing need to address training deficits and bring up the level of insurance skills. Commercial lines is an area that is in greater need due to the higher degree of insurance training necessary to allow insurance personnel to do their job competently and competitively.

Some mutual insurers do provide internal training for their staff and brokers, but many may not have the resources to do so. The resources are time, money and skilled trainers. Small mutual insurers have less resources to do training and limited budgets, so there may be limited training, with the exception of OMIA seminars or Institute courses.

Most mutual insurers have premium volumes that are largely through the broker channel and brokers can provide better quality of business to those mutual that also write commercial lines and can compete with the non-mutual carriers. Consolidation of insurance brokers by several consolidators has reduced the number of brokers available that have interest in dealing with mutual insurers without commercial lines products. Mutual insurers that wish to maintain relationships with brokers and the consolidators, need to increase their value added in commercial lines. Therefore, for competitive reasons, commercial lines training and more competency with commercial lines, is what mutual may need to grow their brokerage volumes.

How to raise the degree and effectiveness of commercial insurance training?

Just as a car mechanics perform diagnostics tests on vehicles that are not running well to find how to improve the performance, this can also be done on a book of commercial insurance. Skilled commercial underwriters with many years of experience can review the portfolio of commercial risks that is written by a mutual insurer. By following a tried and robust audit process, they can catalogue the potential concerns within the book of business and determine where improvements can be made to improve the risk selection, coverage and pricing of accounts not meeting expected standards. This audit can also determine underwriting scores by underwriter to assess the caliber of their underwriting and insurance knowledge.

From this audit, there can be training improvements found for the underwriting team. In addition, there will individual account recommendations to improve the quality of underwriting and improve profitability. From the audit and discussions with the underwriting manager, a plan for training can be put in place.

To get the training off to a good start, a 'boot camp' training session can be delivered to the underwriting team. This boot camp can be tailored for the needs of each mutual based on the audit results. This will provide basic commercial training required for 're-tuning' the underwriting skills of those underwriters found in need. This commercial training follows the course content of the Insurance Institute. It also provides additional experience based training that goes beyond the technical training. This allows for underwriters to learn 'street' training based on years of working as seasoned commercial underwriters dealing with insurance brokers.

This will provide a basis for underwriters to take further training provided by the Insurance Institute certificate programs and OMIA commercial lines seminars. With improved underwriting talent, the mutual will be able to attract more commercial business from brokers or agents due to stronger knowledge in risk assessment and pricing plus training in working with competitive commercial environments.

What can CIMP offer?

- ✓ Experienced commercial lines trainers who provide commercial technical training and street hardened experience to provide short interval commercial training to assist mutual insurer underwriters, managers and agents.
- ✓ Training focused on raising the skill level of underwriters to attract and effectively underwrite smaller commercial accounts that are the target of mutual insurers.
- ✓ Provide introduction to more technical training offered by the OMIA and the Insurance Institute in an effort to attract more mutual staff in taking commercial certificate courses, either on-line or on-site locations.
- ✓ Give mutual insurer commercial underwriters and agents fast tracked skills to allow for enhanced commercial lines attraction, growth and profitability.