



CASE STUDY

HILB PARTNERS WITH VIRGINIA HVAC CLIENT TO DRIVE BETTER CLAIMS RESULTS AND PREMIUM SAVINGS

Background

A pro-active, forward looking approach to loss control is the key for any insured who wants to keep their insurance costs in line. The former GM for this company recognized this and partnered with their advisor to create an effective and measurable loss control program. Not only was a program created, but it was enforced. The GM and Senior Managers were all involved, and the results of the program were palpable. This had a direct effect on the Company's insurance costs. Unfortunately, the new GM was not as "hands on" as was his predecessor. Overall Enterprise Risk Management was disregarded, and violations of the safety program were not enforced. As a result, the Insured began to experience quality of work issues which lead to several six figure GL losses, frequent work place injuries over several years which caused their Experience Modification Rating to escalate to a 1.59, and constant auto accidents. Finally, in May of 2016, after the Insured experienced five at fault auto accidents in one month-the Insured's Hilb Risk Advisor, whose previous warnings had been disregarded by the new GM, requested a meeting with the Owner of the company. The Advisor explained to the Insured that they were in danger of being non-renewed by their current carrier, and that the Insured was facing a drastic hike in their overall premiums as well as difficulty placing coverage for the affected lines of business.

Challenge

The challenge in this case was two-fold. 1.) The Advisor had to be honest, but tactful with the Insured with regards to the current GM's lack of oversight and management in the realm of risk control. 2.) He also had to advise the Insured that despite prior warnings and offers of assistance, a major portion of their account was going to take a major hike in premium. Additionally, the underwriting climate was very hard at the time, and to find a carrier(s) which would be willing to underwrite the account was going to be a difficult process.

The Advisor took the risk of alienating the Insured because of so much negative information by being frank about the situation, fortunately, the Owner was very much aware of the issues, and took the information well. This meeting took place in June of 2016.

At a Glance

In April of 2013, the long tenured GM of a large VA/DC based area HVAC firm suddenly passed away from a heart attack. This GM had a firm grasp of the company's safety and loss control program, and the company had enjoyed a very favorable loss history as a result. It took almost a year to find a suitable replacement, but the replacement was not well versed in risk management, and over the next three years the company began to suffer constant losses in every major line of business but especially workers comp, general liability, property and auto. As a result of their loss experience, the incumbent carrier sent the Insured a notice of non-renewal. The Hilb Risk Advisor for the account had been sending the new GM and the Insured several emails over this period to make them aware that their history was deteriorating, a non-renewal may be imminent, and that Hilb could assist them with a plan to address the issues.



"Our Hilb Advisor did what others promised to do and couldn't—they delivered a program that was effective and lowered our costs over time."

~ Scott Goulet, President, M.E. Flow



Solution

The Insured had already come to the realization that the new GM was not the right person for his company and informed the Risk Advisor that he was going to replace him with someone who was better suited for his company and industry. He asked the Hilb Advisor what recommendations and solutions he could offer on the carrier placement and risk management.

The Hilb Advisor recommended that the Insured either hire a full-time risk manager, or contract with a professional who could help him create a new program and then manage and enforce it. The Insured chose to engage with an independent contractor who designed a new program and then managed it while working closely with their Hilb Advisor for guidance. The Insured guaranteed, and delivered, full cooperation.

Meanwhile, the Hilb Advisor approached two carriers with whom he had long standing relationships. He explained the history of the account, the current action being taken, and his confidence that the account would return to its former status as a high performing account over the course of the next three years. The carriers agreed to underwrite the account as long as proper risk control procedures were adhered to. While the Insured's premium did greatly increase, the Insured was placed with two quality insurance carriers which also had good loss control resources and promised to work with the Insured to help them lower their insurance costs over time. The Insured agreed and cooperated.

Results

The Insured has taken their approach to enterprise risk management seriously, and over the course of four years the account has performed in an outstanding manner. For the five lines of business causing many of their prior issues- work comp, property, auto, GL, and excess liability-the Insured's losses were only \$32,919 against \$2,215,000 in premium. The Insured's contract risk manager and their Hilb Advisor, who is also a Certified Risk Manager, have worked in tandem with the Insured to produce a superior four year loss history. As a result, at the September 1, 2020 renewal, the Insured achieved an effective premium reduction of over \$300,000. Additionally, the Insured now better understands the value of an active risk management program, and how it can impact their results and insurance costs.