



# Insurance Issues



Special Supplement  
5<sup>th</sup> Edition – November, 2002

Bob Leonhart, AFSA's National Insurance Consultant, and I have received many calls from contractors whom are very distraught because of notification that their General Liability Insurance will NOW be rated under the Excess and Surplus line. Excess & Surplus does not in itself mean that your premiums will go up as you will see in the following explanation by Bob Leonhart.

Admitted or Non-Admitted, Excess and Surplus Lines—Are these terms new to you? Excess and Surplus used to be terms that described where you went for insurance when you could not get it anywhere else. Maybe you had a large loss ratio, did work that didn't fit the norm, or had a teenage driver with several violations on their record.

These were terms that we grew up with and have stuck in our minds as being "the bad risk". Not so today! Today Excess and Surplus Lines is the fastest growing segment of new insurance writings in America. Standard line insurance companies today face issues that have not existed to this extent before. Construction defects, mold, water damage, terrorism, etc., exist today and were not even considerations 10 years ago.

This is where today's terms Non-Admitted and Excess and Surplus come in. It's obvious that standard insurance companies were paying out more dollars in claims than they were receiving in premiums. How can they correct this? Stop writing policies where the premiums cannot support the claim dollars going out. If the insurance companies stopped writing the fire sprinkler contractors it would put a lot of people out of business. The only way to preserve insurance for this industry and to ride out the storm was to look for ways to improve losses, control the escalating premiums, add deductibles, and manage the risk through Non-Admitted paper and through the Excess and Surplus Lines arena.

# Insurance Issues

Special Supplement  
5<sup>th</sup> Edition – November, 2002  
Page Two

Non-Admitted paper allows pricing that meets the individual State rates for this class of business. It means having deviations downward off State rates and also deviations upward where businesses have had severity and frequency loss problems. Also the ability to set “Best Practices” guidelines for delivery of finished jobs is available by using Non-Admitted paper. Deductibles can be added to help in reducing the overall cost of premiums through Non-Admitted paper. Non-Admitted is no longer the bad news area of insurance. Be sure that any company you use is at least “A” rated, as that is required on most sprinkler contractors contracts.

A major advantage of using Non-Admitted paper is having the ability to continue to insure sprinkler contractors at a fair price. Your diligence and participation in reducing, controlling and transferring water damage claims can only benefit this industry. Remember, lowering claims has always had a positive effect on the bottom line cost of insurance premiums. We feel that with the combination of deductibles, the Audit Trail Center, fast response claim service, centralized underwriting and the use of Non-Admitted paper, we have the advantage of a long term program that will truly be an advantage to the sprinkler contractor.

If you should have questions regarding the above explanation, please

Call Bob Leonhart at:

214-220-0842 - phone

214-954-0999 - fax

[leonhart@gorisc.com](mailto:leonhart@gorisc.com) e-mail

If you have suggestions for future issues, please forward them to Lloyd Ivy via fax at 214-343-8898 or email at [livy@firesprinkler.org](mailto:livy@firesprinkler.org).