

Insurance Carrier Recommendations:

How Can a “Recommendation” Be a “Requirement”—and What Will Eventually Happen If I Do Not Comply?

INSURANCE INSIGHTS

By Ken Fuirst and Jason Schiciano, Levitt-Fuirst Associates Ltd.



YONKERS—If you are responsible for your company’s commercial insurance, then you may be familiar with the dreaded topic of “Insurance Carrier Recommendations.”

You know, the “To-Do List”—sometimes one or two items, often many more—that comes from your Property and/or Liability Insurance Carrier, usually by way of your insurance broker.

Recommendations are typically issued following an On-Site Inspection of your building, office, or jobsite by the carrier. Examples are listed in the chart to the right.

Questions and Answers

These lists are called “Recommendations.” Are they optional, or mandatory? Good question. Frankly, it’s a poor use of terms that unfortunately is “standard” in the insurance industry, not to mention misleading. In most cases, compliance with recommendations is mandatory.

What happens if I don’t comply with the “Recommendations?” It depends. If your insurance has been placed with a new carrier, who issues Recommendations following an initial inspection, in most cases, the carrier may have the option to cancel (per policy terms) your insurance if you fail to comply with recommendations. If your insurance has been with a carrier for more than 60 days, the carrier may non-renew your policy at its expiration date.

What if I intend to comply with the “required” Recommendations, but I don’t have the time (and/or money) to address them by the carrier’s compliance deadline? As with so many other things in life and business, it pays not to procrastinate. If you think that “dragging your feet” and avoiding the carrier’s recommendations will somehow make them disappear, you’re wrong. In fact, often times, a carrier will delay acting on your non-compliance until a couple months prior to your renewal, when they may issue a non-renewal notice. Then, it may be too late to comply with the recommendations (e.g., you can’t re-

pair a concrete sidewalk in the winter). Worse yet, the options to replace your non-renewing insurance may be far more expensive and/or provide far less coverage. The key is to communicate with your broker regarding Recommendations as to what you can do, and when you can do it, and to keep your broker informed of your progress.

If you can’t comply by a deadline date, but the carrier sees you are making a genuine effort (e.g., completed 50 percent of a sidewalk replacement), often times that will be enough to buy you additional time, and/or get you through the next renewal.

The recommendations are costly to address. Couldn’t I save money by not complying and moving to a new carrier? Not necessarily. Especially during rising insurance rate environments, any new carrier may quote a significantly higher premium than your current carrier. The cost difference may be substantially more than what it would have cost to complete the recommendations. What’s worse: the new carrier may inspect, and issue the exact same recommendations as the old carrier!

What You Need To Know

Consider an insurance carrier’s “Recommendations” as “Requirements.” If you fail to address them, you can expect a policy cancellation or non-renewal.

The incumbent carrier frequently (especially during periods of rising insurance rates, like now), offers the best renewal premium, so don’t risk a non-renewal due to non-compliance with recommendations.

Something is better than nothing, and sooner is better than later. Communicate with your broker about progress on recommendations, and if you require more time, for some reason, ask! The earlier, the better. Last-minute requests for more time are often denied by the carrier.

Some of the most economical insurance policies offering the broadest coverage are those that have been in-place for many consecutive years.

In order for a multi-year relationship to exist between an insured and a carrier, Recommendations must be addressed in a timely manner.

When in doubt as to how to address Recommendations, call your broker (sooner than later) for advice.

While Insurance Recommendations are issued by insurance companies in an effort

to avoid claims, almost all Recommendations are for your own good—to protect your property and/or prevent injury.

Editor’s Note: Levitt-Fuirst Associates Ltd. is the Insurance Manager for The Building and Realty Institute of Westchester and the Mid-Hudson Region (BRI). The firm is based in Yonkers.

INSURED	POLICY TYPE	EXPOSURE	EXAMPLE RECOMMENDATION
Building	Property	Fire Hazard	Maintain BBQ Grill at a minimum distance from building, in accordance with local building codes.
Building	Property	Water Damage	Repair loose roof shingles at north end of roof and flashing around chimney.
Building	Property	Water Damage	Repair brick pointing where loose mortar exists on south side of building.
Building	Gen. Liability	Trip/Fall Hazard	Replace cracked/uneven sidewalk slabs at front entrance.
Building	Gen. Liability	Bodily Injury/ Prop. Damage	Install mounting brackets on all exterior/window air conditioners.
Building	Property/Liability	Fire Hazard/Egress	Remove all trash/contents/clutter from basement hallways.
Contractor	Gen. Liability	3rd Party Injury/ Prop. Damage	Provide certificates, identifying you as an “Additional Insured,” and indemnification/additional insured agreements for all sub-contractors.
Contractor	General Liability	Bodily Injury	Provide a Jobsite Safety Manual/Requirements (e.g. hardhat, eye protection, fall protection).
Contractor	Auto Liability	Bodily Injury/ Prop. Damage	Provide evidence of a Commercial Vehicle Maintenance Plan.

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