



Inspections Key to Agents' Profitability

THE INSPECTION PROCESS is often seen as a nuisance to insureds and their agents. It is a common misconception that inspections are done for the purpose of charging the insured more money by forcing increases in coverage and compliance with costly recommendations. While valuation is important, there are many other reasons why inspections are an essential component of the risk assessment and placement process. Understanding the true characteristics and exposures of clients and insuring them properly is one of the value-added benefits of the professional insurance agent.

The basic aspects of risk analysis are: Construction, Occupancy, Protection and Exposure (COPE). While there are many software programs that attempt to address these, nothing beats an in person, face to face review. COPE cannot be shown in a satellite photo. Even a drive by inspection will not provide adequate information. Internal characteristics cannot be determined without a visit.

In addition to the physical characteristics mentioned above, inspections can reveal practices and conditions that are potentially hazardous. Non-standard heating or electrical installations, or improperly installed or protected cooking systems increase the possibility of fire. Housekeeping practices significantly impact risk. For example, improper storage and disposal of cooking oils, grease and other materials will increase the fire hazard. Conditions not anticipated by the occupancy description, such as cooking operations in other than a restaurant/deli exposure, stor-

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age and/or use of flammable liquids, or the presence of a maintenance shop or woodworking activity, will impact the insurability of a risk.

Liability exposures that may be revealed by an inspection include trip and fall hazards, such as uneven or broken sidewalks or driveways, or improperly fenced swimming pools. According to the Centers for Disease Control and Prevention (CDC), slip and fall accidents are the leading cause of emergency room visits for nearly every age group, and result in approximately 20,000 deaths per year.

Fraud prevention is another benefit of an inspection program. Onsite inspection enables the agent to verify information provided by the client, such as the actual occupancy.

Building codes change. Carbon monoxide detectors and sprinkler systems are now required to be installed in new

homes by some state regulators. As is the case with alarm systems, such life safety equipment is only effective in reducing losses if it is properly maintained and tested. Fire extinguisher maintenance and functioning exit signs are essential in all commercial risks.

BOP type risks, which are often not subject to company inspection, may include unacceptable exposures. For example, insuring restaurants under the BOP is becoming more and more common. Improperly installed automatic extinguishing systems and cooking equipment can greatly increase the risk of fire.

Regular inspections in subsequent years are recommended in order to keep track of changes that have occurred over time. Insureds may not always think to contact their agent when they install a pool, add an addition or buy a trampoline.

Helping clients reduce the risk of loss, and improving their insurability, is the sign of a true insurance professional.

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