



CASE STUDY

TOY MANUFACTURER DODGES A NEARLY MISSED D&O POLICY EXCLUSION AT RENEWAL

Even the most run-of-the-mill renewals can have unwanted surprises — which is why it's crucial to rely on wholesale brokers who thoroughly review each and every quote proposal.

COSTLY EXCLUSIONS CAN BE EASY TO OVERLOOK

Not long ago, a retail agent reached out to Senior Vice President of Jencap Specialty Insurance Services Michael De Feo for support on an upcoming directors and officers (D&O) renewal. The client was a middle-market toy manufacturer, and their existing carrier had a strong reputation and a large market share for companies similar to the client's size. From all appearances, this was a quick and simple renewal.

However, Jencap's standard process for new business always includes a thorough review of existing policies. During his review, De Feo uncovered a troubling exclusion in the renewal quote that wasn't typically found in D&O policies.

Even more troubling, this exclusion was also in the expiring policy. The previous wholesaler had either missed it or failed to mention it. In the event of a claim, the insured would have been denied coverage, putting their retail agent in the very uncomfortable position of explaining why.

COMPARING QUOTES CAN FEEL LIKE SHOOTING AT A MOVING TARGET

Like most professional lines, the D&O market constantly shifts in response to current events and social movements. This makes it difficult to compare coverage and pricing across carriers. It also makes small, yet significant, details easy to miss — especially if you don't know what to look for.

D&O insurance protects company leaders if they are sued for something related to how they manage the company. In the current litigious environment — rife with class-action lawsuits, sexual misconduct allegations, and COVID-related mismanagement claims — De Feo's toy manufacturer client couldn't afford to take chances with a weak policy.

NAVIGATING TOUGH CLIENT RELATIONSHIPS

De Feo approached the existing carrier, asking them to remove the exclusion. When they refused, he began the search for coverage from another carrier. However, there was a problem.

The incumbent carrier had a very lax underwriting process, and because they were so familiar with the account, the renewal submission did not include many details about the client's finances. "I knew we'd need more in-depth information to successfully approach new D&O carriers, since underwriting analysis is based largely on the financial condition of the client," said De Feo.

The client, however, was concerned about confidentiality and reluctant to share additional financial information. At De Feo's suggestion, the retail agent set up a video call with De Feo and the toy manufacturer's CEO and CFO. Together, De Feo and the agent were able to talk through the quoting process and helped their client feel more comfortable with providing the necessary financial details.

BATTLING OUTSIDE COMPETITION

Armed with everything they needed, De Feo began the process of marketing the risk and collecting quotes. He found a quote from a new carrier that provided superior coverage to the client's original policy, without the problematic exclusion.

... But there was another issue.

Unbeknownst to De Feo and the retail agent, the client had responded to a solicitation from another agent, who provided a quote that was 10 percent less than Jencap's leading option. De Feo and the insured's original agent were at risk of losing the business.

ALWAYS COMPARE QUOTES

"We reminded the client about the hidden exclusion we found in their existing policy and asked them to share the competing proposal from the new broker, so we could compare terms. No two policies are alike and it was in their best interest to compare terms in addition to overall price."

The toy manufacturer hesitated, worried that this would put the new broker at an unfair advantage. De Feo encouraged them to share his quote with the new broker, leveling the playing field and giving everyone access to the same information.

"We stressed our broad market access and industry knowledge. We had presented them with multiple quotes from various carriers, while the new broker had only bothered to quote one," recounted De Feo.

The client agreed to share the competing quote. De Feo carefully reviewed both quotes and quickly realized why the competing quote came in at 10 percent less: he found half a dozen areas where his quote offered broader coverage.

WINNING BUSINESS THROUGH TRUST AND RELATIONSHIP-BUILDING

Ultimately, the client chose to bind the account with De Feo, despite the quote being more expensive. Grateful for how hard De Feo and his team worked to earn their business, they went so far as to say that even if they'd chosen the less expensive quote, they would have broken away from the competing broker and given the business to Jencap and their original agent.



Michael De Feo

Senior Vice President of Jencap Specialty Insurance Services

Michael has over 20 years of experience working in Executive Risk, Financial, and Professional Lines. Insurance Business America recognized Michael in 2018 as a Top Specialist Broker.