THE McINTYRE GROUP
INSURANCE BROKERS & CONSULTANTS

Risk Monitor

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What are Loss Runs, and How Do These Reports Affect You?

From time to time, you'll be asked to provide a loss-run report, either on a new insurance application or on a renewal. What exactly are loss runs, and why do insurance companies request them? What follows is an explanation of everything you need to know about loss runs and how they affect your application or policy renewal.

Loss runs are reports that provide a history of claims made on a commercial insurance policy. Typically, an insurance company will request up to five years of history, or for however long coverage has been provided. A claims history is one of a number of factors that are taken into consideration when your application is being underwritten. If an application is approved, it can also have an effect on the premium, either with credits or surcharges, depending on the history.

What details are included in a loss-run report? The report will include the named insured, the policy number, the date of each claim, and the amount paid or on reserve, and it may also include a brief description of the claim. Each claim is listed on its own line. The report will also specify whether each claim is open or closed. If you have had coverage with more than one insurance company, then you will need to request a loss run from each of these providers.

To request a loss run, you will need to send a letter to either the agent or the insurance company. The letter should include the name the policy is insured under, the policy numbers, and the number of years or policy periods for which you are seeking a history. In most cases, your agent can assist you with this process or provide you with a template letter. In some cases, an agent or company will provide this by way of e-mail or phone call. In most states a company is legally required to provide your loss runs within ten business days.

In some cases, you will be asked to provide loss-run reports every year, even if your policy is insured with the same company. There are a number of reasons for this. Most liability policies are occurrence policies, and this means that a claim may be filed at any time as long as the incident occurred during the policy period. An updated loss-run report will indicate if there are any new claims. Another reason for an updated loss run may be due to an open claim. Open claims are never finalized until they're closed, and this is when the final, updated details are provided, which can affect both the approval and the premium of a renewal policy.

A claims history can have an effect on your company's insurance rates. This is why it's very important to practice risk management in order to prevent potential claims. Businesses can also avoid claims submissions by establishing high deductibles and processing smaller, property-only claims through a reserve fund. Liability claims should never be handled by your company unless you have in-house counsel to manage claims incidents. These steps can help save your company thousands of dollars in the long run while maintaining good rates and producing loss-run reports that are viewed favorably during the application and renewal process.

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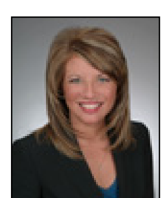
Woodland Falls Corporate Park
220 Lake Drive East, Suite 210, Cherry Hill, NJ 08002
(P) 856-482-9900 • (F) 856-482-1888 • Email: lfunari@mcintyre-group.com



Luanne Funari
Vice President,
Director of Claims Management