

Expert Opinion

Putting a Price on Customer Relationships

By John Culotta

John Culotta

As a pest management professional (PMP), you know how important customer relationships are. Some take years to develop, and word-of-mouth referrals from your satisfied customers can be an important source of new business. As a result, you want to work with business partners who understand and appreciate these relationships.

Your insurance company is a partner who can play an important part in supporting your business and customer relationships. But if you choose the wrong

insurance partner, you could be putting valued relationships in jeopardy.

The moment of truth can be when you face a claim brought by a customer that you believe to be unfounded. As you decide whether to fight the claim, you have to balance your potential liability against the value of the customer relationship. A good insurance partner understands this balance, communicates with you and works in your best interest.

You Get What You Pay For

Some PMPs find out the hard way that not all insurance companies are the same. Some carriers, especially the so-called "discount" types, do not consider customer relationships when evaluating your claims. After all, if they offer premium "savings" of up to 50 percent over reputable insurers, how are they able to offer such savings? One way is to cut costs by possibly denying claims due to lack of the appropriate coverage.

Most claims should be covered under your insurance policy. But within your liability insurance policy, there can be many subtle interpretations that affect whether your carrier will pay a claim. "Discount" carriers often take full advantage of these interpretations to minimize their claims exposure. They may initially deny your claims, thus not considering that you need prompt investigation, thorough evaluation and a fair determination of liability.

In addition, when a denied claim results in protracted litigation, it's not unusual for customers to withhold payment or to deduct the amount of a claim from your invoice.

When evaluating insurance partners, how do you know how an insurance carrier will handle claims? Unfortunately, it is not always obvious. Many PMPs only realize there is a problem after a claim is mishandled and a customer is lost. It is important for you or your insurance broker to investigate the claims practices of a carrier.

The Value of Experience

Reputable insurance carriers know the importance of talking with the insured before handling a claim, and place value on a PMP's customer relationships when negotiating settlements. It can be a big advantage if your carrier has an in-house claims facility, providing direct access to claims professionals with whom you can discuss the status of a claim and gain input.

It's also a tremendous advantage for PMPs to work with carriers who are experienced in your industry, and understand the unusual claims exposures that PMPs face ... from claims that you missed pests in a home inspection to

allegations that you caused damage to the property. When a carrier has adjusted thousands of such claims over the years, they have intimate knowledge and a vast database that allows them to accurately predict future claims and actuarially determine premiums.

In addition to claims handling, you should consider working with an insurance team that provides risk management services. Such expertise should extend to chemicals, contracts, applications and the laws of the insured's jurisdiction.

When looking for an insurer, find a carrier with experience in the professional pest management industry. This knowledge and experience will survive a fluctuating economy and provide the insured with projectable costs, year after year. They know to consider customer relationships before proceeding, and provide real value for your insurance premium.

John Culotta is manager of the Pest Control program at the Brownyard Group (www.brownyard.com), a leading provider of insurance programs for the professional pest management industry. He can be reached at jculotta@brownyard.com or by calling 800-645-5820, ext. 122.

From the **PMP Archives**

Manage Your Termite Liability

In this November 2002 article, Dr. Doug Mampe explains how overlooking the details in your inspection or termite contract can lead to a claim.

□

Do you have news? Send it to tomypmp@questex.com.
Advertise online or in print: contact George Casey: george.casey@questex.com or call 216-706-3752.
Pest Management Professional in print: [Subscribe, Renew or Change Address](#).

Pest Management Professional is a division of **Questex Media Group, Inc.**
600 Superior Ave. East, Suite 1100, Cleveland, OH 44114
© 2010 Questex Media LLC. All Rights Reserved.
Reproduction in whole or in part is prohibited without written permission.

You are currently subscribed to %%list.name%% as %%emailaddr%%.

If you wish to leave this mailing list, simply [unsubscribe](#). Refer to our [Privacy Policy](#).