

7 TRUTHS YOUR BROKER DOES NOT WANT YOU TO KNOW

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Many business insurance buyers often rely solely on their incumbent broker to shop their insurance program to try and get the best deal. Unfortunately this leaves a significant amount of money on the table. These business insurance buyers often fail to realize that the incentive is for the broker and insurer to increase their premium – not decrease it.

Commissions and other financial incentives create an inherent conflict of interest between the brokers and the organizations they insure. Given the tremendous amount of compensation that brokers receive, it is not surprising they perpetuate these myths in an attempt to control the marketing process for their own benefit – not yours. In reality, it is never wise to sole source your insurance renewal to a single broker.

Savvy business insurance buyers professionally shop their insurance program with multiple brokers and they always win with significantly lower premium and the broadest available coverage.

Fact #1: Brokers Work for the Insurance Companies. Despite what they say, brokers are the insurance companies' marketing arm. They are sales organizations beholden to the insurance companies best interest, not yours. They are typically paid commission by the insurers and therefore have no incentive to lower your premium. The brokers and insurers goals are to maximize their income and profit. This is achieved by increasing your premium.

Fact #2: Competition Determines Your Premium. Underwriters base your premium on whether there is competition from multiple brokers. At renewal time, the underwriter will typically ask the broker if there is competition on a particular account and price it accordingly. Leverage is the key to getting the best deal. Your premium is based solely on what the market will bear. You will always pay a higher premium when there is no competition from outside brokers.

Fact #3: Brokers are Biased. Brokers often favor insurance companies that offer incentives. The insurance companies the brokers favor may not be in your best interest.

Fact #4: Underwriters are Biased. Similarly, underwriters favor certain brokers. The amount of business placed, the length of relationship and degree of personal relationship all play a role in pricing. Your broker's relationship can vary significantly from one underwriter to another resulting in significant price differences.

Fact #5: Brokers Do Not Approach All Insurance Companies. Brokers do not have the time nor resources to effectively negotiate with all insurers. They may only select a few with whom they have the best relationships, limiting the options available to you.

Fact #6: No Broker Represents All Insurance Companies. There are numerous direct writers and regional mutual companies that can be very competitive. Unlike many national brokers, regional brokers often represent many of the smaller mutual companies.

Fact #7: Select Brokers Have Proprietary Insurance Programs. Some brokers have developed very competitive exclusive industry specific programs that other brokers do not have access. These programs should be researched when marketing your insurance program.

EXERCISE DUE DILIGENCE AND REAP THE REWARDS WITH ONE RENEWAL

Hopefully these tips have educated some insurance buyers. Those who already follow this process I am pleased that you are prudently exercising due diligence protecting your organization's assets.

If you are not swayed by these facts I challenge you to one renewal. Professionally shop your insurance with multiple brokers allowing them to compete for your business. You will be sold realizing significantly lower insurance costs and obtaining state of the art coverage. I guarantee it!

ISN'T THIS WHAT
AMERICA IS ALL ABOUT —
COMPETITION!



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He founded Insurance Assessment Consultants (IAC), an independent insurance and risk management consulting firm, 17 years ago to educate and act as an advocate for all size companies that need independent advice on insurance and risk management. IAC's services include providing unbiased insurance audits, preparing bid specifications, managing the entire bid/RFP process, analyzing proposals and negotiating with brokers.

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