



BIGGER IS NOT NECESSARILY BETTER

Why Regional Brokers Are Often More Successful Than National Brokers in Obtaining Lower Pricing and Providing Better Customer Service

Outlined below are several reasons why regional brokers should be considered when shopping your corporate insurance program and selecting a broker.

These reasons are based on 32 years experience in the insurance and risk management field (22 years on the insurance consulting side) working with and doing business with all size insurance brokers. While not discounting the value that some large national brokers bring to the table, the service capabilities of many regional brokers are more than adequate for the risk management needs of clients.

1) Insurance is a Commodity

Notwithstanding claim services and other ancillary services, the purchasing of Insurance is a product. State of the art, comprehensive coverage can just as easily be sold by regional brokers as national brokers. The regional brokers often employ seasoned insurance professionals, in many cases hired away from the national brokers.

If all you need is the placement of coverage, regional brokers can be just as professional and experienced as larger, national brokers often with lower fees.

2) Many Regional Brokers Have Just as Much Expertise

Unless you are a multinational corporation with worldwide offices, most regional brokers can bring to the table all the services needed to more than adequately service your account, including claims management and loss prevention services.

If claims and loss control services are needed many regional brokers offer these services in-house at significantly lower costs. In many cases though, the insurance carrier's claims and loss control services are sufficient. All insurance buyers



should remember brokers are only as good as the employees in the local office.

3) National Brokers Do Not Like Competition

Most of the time national brokers do not like to compete in the marketplace for new business and often try to convince the insured not to do so. Instead of marketplace competition, in many cases the insurance buyer will have what is often termed a "broker beauty contest" where they bring in several brokers to interview and ask questions about their service capabilities. The insurance buyer then selects one broker to approach the marketplace and assigns the account by way of a broker of record letter.

With rare exceptions, this is never the best way to select a broker. Often unbeknownst to the insurance buyer, a significant amount of money is left on the table that often is in the range of 20% to 35%. They do not realize that the broker works for the insurance company and wants to maximize its income. The "broker beauty contest" is the easiest and most cost effective way for the **broker** but it is usually not in the insurance **buyer's** best interest, never realizing the best possible deal.

One broker is essentially taking another broker's work with obtaining new business through the "broker beauty contest".

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**WE DO NOT
SELL INSURANCE.**

Unlike brokers, we provide unbiased advice, representing your best interest, helping you get the best deal!

ATTENTION ALL CONTRACTORS: ARE YOUR PROFESSIONAL LIABILITY EXPOSURES BEING ADDRESSED?

If you are a contractor, traditionally you may not have had to worry about professional liability exposures. This is because most construction firms traditionally constructed new buildings, altered existing or renovated existing ones, or installed machinery or equipment. You were told what to do by someone else—and you followed the directions

In today's business climate it is very different. There are new methods of project delivery that create exposures that are often overlooked by insureds, risk managers and brokers. Construction firms today often perform the following additional tasks:

- Design the project
- Make changes to the project
- Perform architectural, engineering or surveying services
- Hire independent professionals to provide architectural, engineering or surveying services.
- Supervise and/or manage the project



These additional tasks can lead to loss exposures that include negligent supervision, bad management, faulty design and vicarious liability. Generally, most of these exposures are not covered under your general liability policy. This is because insurance companies often put a professional liability exclusion on the general liability policies. Also, since the general liability policy covers only bodily injury, property damage and personal injury (libel and slander) it does not address some of the other exposures created by the professional liability tasks.

Professional liability is an exposure that all construction firms should address with insurance professionals so that proper risk management procedures can be implemented to prevent uninsured losses that could cause catastrophic financial loss.

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They are not earning it through broker marketplace competition. Competition is always a better way to select a broker, resulting in lower pricing, better coverage and increased broker services.

4) Regional Brokers are Typically More Aggressive and Less Expensive

Regional brokers are used to fighting and competing for insurance business, while many national brokers decline to quote if there is outside competition, and if already on an account, may reluctantly do so because they have no other choice.

Individual salespeople working for the regional broker usually receive a percentage of each policy annually. This can be up to 50% of the 10% to 20% the actual brokerage firm receives. When there is a broker competition most regional brokers will get "in the ring" and fight to be awarded the account. This often entails lowering the commission and pushing the underwriters to lower the premium. Of course this benefits you, the insurance buyer.

Most salespeople working for the national brokers typically only receive commission the first year, or perhaps bonuses, in lieu of commission. Thus many large brokers have less of an incentive to fight to keep your premium lower in subsequent years.

5) National Brokers Typically Demand Higher Compensation

All brokers make a significant amount of commission on each policy. This usually ranges from 10% to 20% of the premium. While many national brokers disclose the commission, they often do not like to lower their commission unless forced to do so. Regional brokers are significantly more flexible in negotiating fees and commission; perhaps as a result of not having to answer to shareholders and having less overhead costs.

6) Being a Large Fish In a Small Pond Has Its Benefits

In many cases there is a very strong relationship spanning decades between a regional broker and the carrier. The underwriters may be more flexible in pricing and coverage. In all cases, since pricing and coverage are negotiated, the relationship the brokers have with carriers is critical.

There is much more personal service with a regional broker. Clients considered small by a national broker may be very large to a regional broker, thus receiving more attention. Often times when servicing clients, national brokers have to utilize multiple offices while regional brokers do not, thus expediting the servicing tasks. If you are one of the larger accounts that a small broker has, you will certainly be much more recognized and valued.

I am not suggesting that large national brokers not be retained, I am just pointing out the benefits of making them earn their commission through a broker and carrier competition in the marketplace. Mix it up with national and regional brokers to maximize the number of carrier quotations and to significantly drive down the cost. Remember no broker will give you the best deal without leverage garnered through competition in the insurance marketplace.