

WHEN INSURANCE BROKERS COMPETE –YOU SAVE BIG

A little due diligence goes a long way in cutting costs

As any insurance buyer knows, it is important to obtain the best possible coverage at the lowest cost while ensuring that all insurance needs are met. Unfortunately, by leaving this task solely in the hands of the incumbent broker, many organizations may be missing out on significant savings.



By Christopher J. Hafey

Brokers Want to Maximize Their Income

Organizations should remember that brokers are salespeople selling insurance on behalf of the insurance companies. They are in business to make a profit. Since brokers receive an average of 15% commission, the higher the premium the more money they make. Thus, negotiating with the underwriters to lower your premium is not in their best interest.

Since the brokers income is tied to your premium they discourage competition. **The most frequent and baseless argument used by brokers to shutter competition is, "We represent your best interests and have access to all insurance companies, therefore there is no need to utilize other brokers."** This argument is used to protect the brokers income. They are the sole beneficiary when you follow this erroneous advice.

Broker Competition is Key



Common sense dictates that "shopping" will spark competition. Unfortunately, insurance buyers often do not know that their best interests and

needs are not being met by their current broker and may fail to take the initiative required to accomplish just that.

Purchasing business insurance is no different than shopping for the best rate on a loan, buying a car, or getting the best deal on real estate; unless you have multiple options and appropriate leverage, obtaining the maximum savings will be impossible. Thus, without leverage garnered by competition brokers will not give your organization the best possible deal.

Broker/Carrier Relationships and Access to the Marketplace Help Determine the Premium

While competition is the most important reason to shop your insurance with multiple brokers it is not the sole reason. Another reason is to allocate the marketplace with several brokers assigning them specific carriers. This will allow the brokers to choose the carriers with whom they have the best relationship. This is particularly important since one broker, based on the relationship, may be able to obtain better pricing and broader coverage than another broker. No single broker can give you the best possible pricing with all their carriers.

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In addition, since no broker represents all carriers, penetrating the marketplace

with multiple brokers ensures that most of the carriers that write your type of business have been approached.

Blind Trust is a Costly Mistake



The blind trust that many insurance buyers have in their specific broker is leaving many thousands of dollars on the table every

year. Often times this is the result of lack of information on the part of the insurance buyer or misrepresentation on the part of the broker.

In order to maximize the brokers relationships, access all available markets and have the most leverage, insurance buyers need to professionally shop their insurance program with multiple brokers every few years. By being proactive and exercising due diligence you are guaranteed to have the lowest possible insurance premium with state of the art coverage.

Christopher J. Hafey, CPCU, ARM, CIC, CRM, AIC, AU, CRIS, founded Insurance Assessment Consultants (IAC), 17 years ago to educate and act as an advocate for companies that need independent and objective advice on insurance and risk management issues. 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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