

Tips for Selecting an Insurance Broker

AAPA Port Administration and Legal Issues
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Presented by Bob Sedillo

A Few Thoughts on Consultants From Dilbert

Adams, S., *The Dilbert Principle*
(New York: HarperCollins Publishers, Inc., 1996)

- “Consultants have credibility because they are not dumb enough to be regular employees at your company.”
- “Consultants eventually leave, which makes them excellent scapegoats for major management blunders.”
- Consultants will return your calls, because it’s all billable time to them.”

Introduction

- An excellent broker is a valuable asset.
- A qualified brokerage team supplements your own abilities.
- Individuals handling your account is key and more important than the actual firm.

5 Things to Consider When Selecting a Broker

- A Team of Quality People
- Pay Attention to the "Day-to-Day"
- Advise, Don't Just Sell

5 Things to Consider When Selecting a Broker

- Form a Partnership
- Understand the Client's Business

Does Size Matter?

- The rise of independent and regional brokers
- Clout and leverage to stand at the table with the largest insurers
- Service, Service, Service

AND

- Quality outweighs size, even in marketing
- See that the broker emphasizes only the services you actually need

Remember

- Define your needs clearly
(A written service agreement or letter of understanding is important!)
- Relate broker compensation (fee or commission) to actual services rendered

Selection Options

- Appointment without formal, competitive bids

Advantages: Quickest; Doesn't disturb markets

Disadvantages: Could be more expensive; Appearance of impropriety; Reduced exposure to new ideas & developments

Selection Options

- Broker's Proposal/Conceptual Presentation

Advantages: Doesn't disturb markets;
Variety of ideas and a cost indication;
continuity of existing markets; Creates
competition among underwriters

Disadvantages: Time involved can be lengthy;
Over promise coverage and understate premium

Selection Options

- Qualified Competitive Quotations

Advantages: Doesn't disturb markets;
Creates competition between both brokers
and underwriters;

Disadvantages: Good quote/unsatisfactory broker;
May not be able to utilize best combination of
markets; Complete separation not always possible

Selection Options

- Unrestricted Competition (Free-for-All)

Advantages: Elimination of political criticism;
Lower premium ??

Disadvantages: "Blocked" markets; Turn off
to underwriters; Doesn't allow for achievement of
understanding; Emphasis on price - not coverage
and service;

One, or Multiple Brokers?

- Property/Casualty and Employee Benefits
- Property related exposures/Casualty related exposures
- Specialty brokers on particular lines of insurance

Compensation

- Commissions
- Fees
- Hourly Rates
- Performance/Value Based Compensation
- "Total" Compensation

A Final Thought About Consultants



QUESTIONS?

THANK YOU!