
PICK YOUR AGENT FIRST!

The Common Sense Approach to “Shopping” Your Insurance

*by Matt Starkey
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Does the following scenario sound familiar? Your commercial insurance coverage is coming up for renewal in 3 – 4 months. Like clockwork, your phone starts ringing off the hook with insurance brokers asking to “quote” your business (how do they all know your renewal date anyway?). You want to be a smart consumer, so you say yes to 3 or 4 of the most promising sounding candidates, and which begins a mind numbing process of time-consuming meetings with brokers, carrier reps touring your facility, brokers requesting access to their favorite carriers, sitting through final presentations, and on and on... And after all is said and done, more often than not you end up staying with your current broker anyway, because everyone comes in at pretty much the same price.

Is there a better approach? Definitely! Before we discuss that, however, it’s important to understand a few facts about the commercial insurance industry, and the brokerage distribution system. Employers who grasp these facts understand that shopping their insurance the old fashioned way, with multiple brokers, is often counterproductive and not the best approach.

Fact № 1 Times have changed. As recently as 10 – 15 years ago, insurance carrier appointments were much more difficult to obtain, and therefore most brokers represented only a few premier insurance carriers. Thus, which carriers a broker represented, and the “appetites” of those carriers for a particular risk, dictated what price a broker was able to obtain. Through both carrier and broker consolidation this is no longer the case. By and large, most brokers can now access the same general group of carriers, so which carriers a broker represents is no longer a particularly significant distinguishing factor.

Fact № 2 Only a few carriers are truly competitive. Did you ever wonder why brokers are always asking you to assign such and such a carrier to them? And did you ever notice that you hear about and see quotes from the same carriers year after year? The reason is that typically only a small handful of carriers will ever be truly competitive on your account. Like most businesses, insurance carriers try to determine the niches that they want to compete in. While they might offer a quote to a business that falls outside these categories, the quote will probably not be particularly competitive.

Fact № 3 All brokers are not created equal. True, as stated above most brokers represent the same general group of carriers. However, brokers can vary widely in the services they provide. Many brokers seem to feel their only function is to place coverage and then forget about you until renewal time! A small minority of sophisticated brokers, on the other hand, include creative value-added services in their repertoire, often at little or no charge. Some of these include services like those you’ll read about in this magazine, for example Labor Legal consulting, Human Resource questions, Employee Handbook review, and the like.

In light of the above facts, what happens when you simply allow 3 – 4 brokers to shop the market in a misguided attempt to “compete” for your account? In my opinion you shortchange yourself. You’ve basically created a race between brokers to see who can get their application out to the key carriers the fastest (remember there are only a few carriers that will be truly competitive on your account anyway), and you’ve done

nothing to guarantee that you'll end up with the best broker — best when measured by objective standards.

to determine who should represent your company to the marketplace. Ask them a simple question like “Why should I

The Solution

Interview and select your agent first, and then have that broker approach the marketplace to find you the best possible price. I can almost hear some of you objecting “What? Then it's not a competitive situation!” Sure it is, only now I'm suggesting you make brokers compete on a basis that's a lot tougher, namely “What are you going to do for me?” rather than see who can get to the photocopier and fax machine the quickest.

When you think about it, doesn't this really make the most sense? Do you select your CPA based on who charges the lowest rates? How about your attorney? The selection of your commercial insurance broker should not be trivialized either. Instead, I recommend that you interview brokers

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appoint you as my broker?”, or “Tell me what you'll do for me beside simply quoting and placing my coverage?” The answers to these questions will make it immediately obvious whether you're dealing with a broker who deserves to represent your account or not! **L**

EDITOR'S NOTE

Regular brokers will probably answer the above questions by saying “I'll give you really good service”. That's it, no specifics. A BizAssure Member Broker, on the other hand, will probably say something like: “We'll do a great job placing and evaluating your coverage, but a lot of brokers can do that. However, we've made a substantial investment to make many other critical services available to our clients at little or no cost, things like Labor Legal consulting, Human Resource questions, General Business Legal advice, Employee Handbook reviews, Accounting questions, and even Organizational and Strategic Planning. We do this because we recognize that the risks to business today, go far beyond exposures that are addressed by insurance alone...”

HOW DOES YOUR PROGRAM CHECK OUT?

Are you receiving these benefits from your agent?

HANDBOOK REVIEWS · BIZINARS: BIZASSURE INTERNET TRAINING SEMINARS · JOB APTITUDE TESTING

EMPLOYER EXPOSURE AREAS *Phone Advice / Training / Seminars**

LEGAL	Current Services	BizAssure
Legal Document Review		✓
Lease Review		✓
"What If" Advice		✓
Debt Collection		✓
Product Liability		✓
Defense: When Named In A Lawsuit		✓
Other Benefits		✓

HUMAN RESOURCE & LABOR LAW

Employee Handbooks		✓
Wage & Hour Issues		✓
Employee Leave Policies		✓
Employee Incentives		✓
Pre-employment Screening: Background Checks		✓
Drug Testing		✓
Job Aptitude Testing		✓
Compliance Documents		✓

ACCOUNTING

Tax Information		✓
Purchase Advice		✓
Accounting Questions		✓
Best Structure for Doing Business		✓
Payroll Questions		✓
Stock & Phantom Stock		✓
Cash Flow Management		✓

WORKERS' COMP & SAFETY	Current Services	BizAssure
Injury & Illness Prevention Programs		✓
OSHA Compliance Training		✓
Reserve Review		✓
Loss Prevention Control		✓
Fraud Investigations		✓

BIZINARS & ON-SITE TRAININGS

ABI 825 Sexual Harassment for Managers		✓
Employee Issues: Diversity, Discrimination, etc.		✓
Customer Service		✓
Best Hiring Practices		✓
Technology Management		✓
HR Management		✓
Management Practices		✓
Expense Reduction Consulting		✓
HR Management Systems		✓

Notes:

*All services are subject to the terms & conditions as set forth in the "Policyholder - Professional Services Agreement." See this Agreement for details.

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