



HEFFERNAN INSURANCE BROKERS

A Member of the Heffernan Group

Selecting an Insurance Broker - they're all the same, right?

By Steve Parkhurst, Heffernan Insurance Brokers

In today's work place, there are two decisions that every company faces when renewing their insurance: which carrier to select and more importantly, which insurance broker to use. Many consumers are under the false belief that all insurance brokers are created equal and have access to the same insurance carriers and can obtain the same coverage and pricing from those carriers. While, in theory, insurance companies are supposed to provide the same coverage, pricing and rates to each broker, this is not always the case.

There are a variety reasons why one broker might get better coverage and pricing than another broker for a particular insured. The major reasons include: brokers who specialize in your industry and whom have greater knowledge to provide a more comprehensive submission to the insurance company can negotiate better terms. Additionally, brokers who have exclusive or limited access programs not available to all brokers can drive down pricing and brokers who have stronger relationships with the carriers can utilize that relationship to the betterment of the client. It is important to determine if your broker has these advantages that will ultimately benefit you with better coverage and lower premiums. There are also other cost reducing services to consider that brokers can provide and implement, which I will touch on later in this article.

Some companies prefer to use a local broker, but when most buyers are asked how many times they see their broker, it usually ranges between 1-4 times a year, if at all. Another common response from consumers is they want to support the local community. While it might be nice to support your local economy and community, it should not be at the expense of having inadequate insurance protection at an inflated cost. There are many ways for your company to support the local economy and community which will help your company receive positive recognition while being a valuable marketing tool to you as well. If you do have a desire to select a local broker; it is imperative to make sure you compare them versus a broker that has the corporate size, market access and industry knowledge to create competition during the quoting process so you can evaluate and compare the two options.

So how do you select the right broker? There are a few ways to go about it. One way is to interview a few brokers 4 to 5 months before your renewal date. Decide on which broker is best suited to handle your needs and also has specific industry programs, services, and attentiveness which you desire. The broker needs to be able to audit your operations and insurance coverage to ensure they align and there are no gaps in protection. The broker also needs to be able to prepare a comprehensive report to market your account to insurance carriers in the best light and provide the most competitive insurance quotations due to the presentation and relationship the broker enjoys with the carriers. The right broker should bring a few carrier options to the table at renewal time and include their opinions and input on the different quotes and companies, while letting you make the final decision.

Another approach is to select two of the brokers interviewed and let them select their markets/carriers and compete for your business. That way the brokers will each have several markets to work with on your account and feel they have a reasonable chance of working with your company. By giving a broker a good opportunity to work your company, they will invest the time, energy and commit the resources to creating the best product for your firm. Creating this competition and taking coverage, price and services into consideration, ultimately will land your company with the right broker and carrier.

If you ask any insurance sale person, they will tell you that their brokerage firm is the best fit for your company. However, in addition to their experience and market clout, what really makes a broker the most valuable to your company are the services behind the scenes. Three essential services should be offered by the most qualified brokerage firm; they are Loss Control, Claims Management and HR Consulting.

Loss Control is crucial to prevent unwanted and “Lazy claims” that can arise by lack of knowledge and know how. Loss Control includes location review & assessments, review of employee hiring guidelines and handbooks, review of your Injury Illness Prevention Program and other policies, procedures and requirements that your company has in place for your employees. When properly implemented and maintained, a comprehensive Loss Control program will lower the number of claims that occur and increase employee awareness of safety in the workplace.

The second service your broker should offer is Claims Management. Claims Management is designed to monitor and expedite the closure of open claims while keeping an eye on reserve amounts to eliminate over reserves by the insurance company, as well as to push claims to close as quickly as possible. By monitoring claims reserves, which are sometimes over stated, you are assured that they are kept at the appropriate level and don't negatively affect your company claims experience which can drive up your ultimate insurance costs. Aggressive claims management will help reduce your experience modification because it keeps the claims total cost down which is used in the calculation.

The third service that your broker should offer is HR consulting and Hotline. This is a tool that can be a life saver for any company. When dealing with firing, hiring or sensitive employee issues the HR hotline can be called to make sure that the proper steps are utilized to prevent any retaliation or inappropriate HR decisions. All of these tools should be offered by your broker to insure that you are getting the “bells & whistles” that go along with established brokers.

In addition to the three of the essential services described above, it is also very helpful for your broker to offer other ancillary services such as Health Benefits, 401-k and Retirement Plans, etc.

The bottom line is your broker needs to have the expertise, industry knowledge, niche programs and utilize their overall market clout to get the job done for you. Look for a broker that you trust and align with your company to offer the best options for your company year in and year out.

For more information on selecting the right broker feel free to contact me at stevep@heffgroup.com or visit our website at www.heffins.com