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Broker Selection Key to Managing Insurance

by Greg Doherty

A capable and knowledgeable insurance broker is a valuable asset, which makes the broker selection process especially important. Fortunately, by using a specific set of selection criteria, a good choice can almost be guaranteed.

Many companies take the approach of, "the more brokers, the merrier," in the belief that healthy competition will keep costs down. But purchasing insurance for a company in a "tough to insure" business is not the same as buying insurance for a family restaurant on Main Street, USA. There are literally scores of insurers clamoring for restaurant insurance business, but only a handful of underwriters for a company that makes dietary supplements (for example). Given this small community of insurers, many companies must carefully select who will represent them most favorably.

Very often, when a company follows the "more brokers the merrier" philosophy, two or more retail brokers engage two or more wholesale brokers, who all go to the same handful of insurers. Underwriters will often not spend the time and effort to quote an account when they realize multiple companies are bidding against them, which is confirmed when they receive an account from two or more wholesale brokers.

Selecting a single retail broker to represent your company to a single wholesale broker and all insurers greatly enhances the quotation process and maximizes the options to buy the right coverage, limits of insurance and competitive premiums. So, what are the qualities a company should look for when selecting a retail insurance broker? Following are some selection criteria:

Specialization in the Product Area: A broker with just one or two clients in a

particular industry may not be compelled or motivated to be on top of industry issues on a daily, weekly or monthly basis. In addition, brokers who have active accounts in the industry should be able and willing to share references to underscore their performance claims. It is also beneficial to request a copy of a typical underwriting package shown to wholesale brokers for companies characteristic of your own.

Understanding the Issues: Active brokers within an industry appreciate the importance of understanding industry issues and take steps to stay educated, including attending trade shows and industry networking events. Companies can gauge a broker's industry familiarity by the questions the broker poses about the company's business operations.

Insurance Industry Connections: A competent retail broker should be able to readily name all of the current insurers for your industry and to identify specific traits of each one. Also, companies should review whether the retail broker's wholesale broker has knowledge of, and is committed to, the industry and if the company can meet with the wholesale broker.

Logistical Abilities: It is critical to ensure that the selected retail broker has adequate support staff to service your account—issuing certificates of insurance promptly and answering routine questions in a timely, accurate manner, for example. In addition, it is worth reviewing whether the broker can handle other insurance options for your company, such as workman's compensation or fire coverage, if need be.

If you sense that it might be time to consider a new retail broker, don't wait until the renewal quote arrives. Start seeking



alternatives at least three months prior to the renewal date; a motivated, professional retail insurance broker will dispense good advice and answer questions at any time, regardless of renewal date.

Selection of an insurance broker is a highly technical and important matter. All of the principals of your company should be involved in the decision. If the selection is made with the above criteria in mind, the result will be maximized protection of company assets from insurable events.

Greg Doherty is with Woodland Hills-based Poms & Associates. He is a broker specializing in the dietary supplement industry. Poms & Associates can be reached at (818) 449-9300 or on the web at www.pomsassoc.com.