

Repairing Broken Insurance Broker Relationships



By

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The inaugural [Risk Leadership Certificate Program \(RLCP\)](#) is complete and the NRMC team looks forward to inviting a new cohorts of nonprofit risk professionals to join RLCP in future programs. Contact Melanie Lockwood Herman (Melanie@nonprofitrisk.org) to apply for RLCP, or read on to share in the learning from [our first RLCP cohort](#).

During the inaugural program, the RLCP family honed in on insurance program management as a core competency for risk management professionals. Though not all Risk Champions wear the insurance hat, many do, and taking up the insurance mantle can be an incredibly daunting task. To manage our insurance portfolios effectively, most of us rely on the partnership and expert advice of trusted insurance industry professionals. Not surprisingly, insurance broker relationships were a hot subtopic in our broader insurance discussion.

Insurance Broker in the Hot Seat

The RLCP team had the opportunity to pose thoughtful questions to a broker and neighbor of NRMC here in Leesburg, VA: Derek Symer, Principal and Director of the Nonprofit Practice at AHT Insurance. We put Derek in the hot seat to glean industry insights to some of the most pressing questions nonprofit leaders have about their insurance portfolios and the mysteries of coverage shopping, such as:

- In your experience, what are a couple of the most common mistakes nonprofit leaders make in managing their P&C coverage portfolios?
- I'm hoping to make an insurance presentation to my board next month. What are a couple of things about our insurance portfolio that our board probably doesn't know, but should?
- I understand that insurance broker commissions vary by coverage, by carrier, and by status with a carrier. Is your compensation higher with our incumbent carrier than the others that you 'shopped' our account with?
- Last year you indicated that you 'took our program to market,' but then you recommended that we stay with the same carriers. The chair of my audit committee mentioned that some insurance brokers aren't very ethical and instead of submitting applications, simply ask carriers to 'decline' to quote. What did you mean by 'taking our program to market?'

Derek shared helpful advice and encouraged nonprofit leaders to beseech their brokers for transparency. Derek also demystified some common mistakes that Risk Champions make in managing an insurance portfolio:

- Failing to meet with your insurance carriers
- Failing to meet off-cycle (e.g., only meeting when policies are up for renewal)
- Failing to ask about the broker's claims handling capabilities
- Failing to ask about the brokerage team's longevity at their company and with their clients/accounts

- Failing to ask about the broker’s experience with similar nonprofits
- Failing to ask for transparent answers to how the broker approaches the marketplace, and how the broker is compensated by various carriers
- Failing to provide a high-level overview of current coverages to your governing board

Indicators of Healthy Insurance Broker Relationships

After our invigorating chat with Derek, the RLCP team also explored indicators of a healthy broker-nonprofit relationship. We began this conversation by asking, “what services and value should I expect from my insurance broker?” Answers included:

- Advocacy for our nonprofit: to find us the best coverage, our insurance broker must understand the underwriting and claims functions of carriers in order to evaluate those carriers and their policy forms
- Tailored recommendations for the structure of our insurance program and for opportunities to enhance our coverage if needed, or to resolve duplicative coverages
- Sharing of insights gleaned from all accounts served by the brokerage firm, and significant expertise in the nonprofit sector
- Personal and professional qualities such as integrity, trust, transparency, resourcefulness, and a sense of proactivity and timeliness

Hopefully your insurance broker embodies the qualities and capabilities described above. On the flipside, indicators of a fruitless or waning broker relationship include:

- Lack of transparency about shopping the organization’s coverages with multiple carriers. Underwriters—who assess a client’s risk and present terms, conditions and pricing for coverage—might know if a broker isn’t serious about getting a quote for coverage. An underwriter might receive a standard cover email missing the ‘highlights.’ This could be a signal from the broker that the underwriter shouldn’t work too hard, as the broker is simply shopping coverage to satisfy the client—not to genuinely compare quotes.
- Telling a policyholder that no carriers will be interested in the account. It’s your broker’s job to find multiple carriers that will offer policies that suit your risk profile.
- Making the client rush to do anything, but failing to respond to the client in a timely manner.
- Not telling a client that its claim is covered or might be covered.
- Failing to build an active and long-term relationship with carriers or clients.

Putting Broker Services Out to Bid

If your relationship with your broker isn’t as productive as you hoped it would be, then maybe it’s time to conduct a broker bidding or broker selection process. A nonprofit leader’s primary motivation for initiating this process is to ensure that the nonprofit has engaged the best possible insurance advisor—an advisor who can meet the needs of the nonprofit as it stands today, and as it will evolve during the near future.

A common failing in insurance broker bidding processes is when a nonprofit team isn’t serious about considering alternatives to the existing broker. The most effective broker bidding process fairly considers all bidders. If the process is fair and transparent, then the nonprofit team is more likely to find the best possible broker partner as a result of the process.

The NRMC team is often asked to facilitate [broker bidding processes](#) for nonprofit organizations, and we can share a few more tips from our experiences:

- Determine as early as possible **who** the final decision-maker(s) will be. If you invite a team of staff to sit in on interviews with broker finalists, be sure that it’s clear who will choose the winning bidder.
- Pre-qualify possible bidders to avoid sending your RFP to a list of potentially disinterested brokerage firms.
- Insist on minimal boilerplate in responses to your RFP (e.g., convey that bidders will lose points if they include boilerplate language).
- Check references before you interview brokers. It’s critical to get third party input from references before you enter the interview phase.
- Make broker interviews fun and interesting; consider sharing a short list of thoughtful discussion topics or questions prior to the interview. Avoid setting the bidders up to read their proposals to you during the interviews.
- Ask finalists who are participating in interviews to only bring representatives who will work on your account.
- Prepare a broker scorecard that will help you and your team members fairly compare all broker finalists

regarding their proposals and their performance during interviews.

Insurance is a critical component of an effective risk management program, so it's well worth your while to invest in finding the best possible insurance advisors to help you safeguard your mission and assets.

For more hands-on help, contact the NRMC team at 703.777.3504 or info@nonprofitrisk.org if you need a partner to facilitate a [broker bidding process](#). Or take the self-help route and read our recent release, [Covered: An Insurance Handbook for Nonprofits](#).

Erin Gloeckner is the former director of consulting services at the Nonprofit Risk Management Center.