

Nonprofit Risk Management Center  
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## Working with an Agent or Broker: Strategies for Managing and Improving Your Relationship with an Insurance Professional

**Audio Dial-In Information:**  
U.S. & Canada: 866.740.1260  
Access Code: 7853891

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## Overview

- What is an insurance agent/broker?  
How are they compensated?
- What is the role of an agent or broker?
- Helping the broker to help you
- Evaluating your agent or broker



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## What is an Agent? What is a Broker?

- Agents (independent)
  - Represent the carriers with which they have appointments (contractual relationships)
  - Serve clients by placing coverage with appropriate carriers and maintain relationships with multiple markets
- Brokers
  - Potential to approach any insurer
  - Serve clients by placing coverage with appropriate carriers and maintaining relationships with multiple markets

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### How are Agents and Brokers compensated?

Compensation Categories:

- Carrier-paid Commissions
- Client-paid fees for services
- Carrier-paid incentives (contingency fees)

Typical Commission Ranges

- Property/General Liability: 10% - 15%
- Workers Compensation: 3% - 7%
- Directors & Officers: 10% - 15%
- Other Professional: 10% - 15%



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### Compensation

Fees

- Can not be combined with commission unless fully disclosed.
- Specific fee agreement language must be used.
- Usually used when large premiums are involved.



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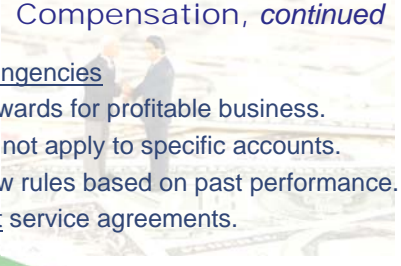
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### Compensation, *continued*

Contingencies

- Rewards for profitable business.
- Do not apply to specific accounts.
- New rules based on past performance.
- Not service agreements.



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## What is the role of an agent or broker?

### Role of the Agent/Broker

- Risk Analysis  
The agent/broker must become familiar with the organization and its exposure.
- Coverage Evaluation  
Insurance coverage should be frequently evaluated in light of existing exposures and market pricing.

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## Agent/Broker Role, *continued*

- Carrier Negotiation  
Serve as an advocate for the insured where dealing with the carrier.
- Claims Assistance  
Be ready and willing to assist in claim settlement situations.

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## The \$25K Question: What's a Fair Price for Insurance?

- Your exposures
- Your risk financing strategy and priorities
- Your "insurance program"
- Affordability
- Carrier willingness and ability to pay

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## Lowest Price does not usually equal best coverage

- When there are large variations in pricing from multiple carriers for the same product, ask questions!
- Is the coverage different? Is there coverage missing?
- Does the premium include claims handling?
- Is the carrier rating acceptable? Will the carrier be there in the long term to pay claims?
- What happens to your organization if the carrier is unable to pay the claim?

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## Broker Services

- If your agent/broker cannot give you specifics on pricing variations and differences in coverage, then they do not understand the coverage well enough to place the line of business for your organization.



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## Determining Service Needs and Your Expectations

- The culture of your nonprofit
- The size and complexity of your insurance program
- The broker as a “business partner”
- Range of services
- Your top issues and concerns

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## Not all Agents/Brokers know all lines of business

- There is a big difference in coverage expertise for different lines of insurance coverage
- Agents/Brokers specialize in certain lines of business
- Lack of knowledge by an agent/broker ultimately leads only to a price purchase and may result in your organization purchasing substandard insurance coverage

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## Helping the Broker to help you

### Meetings

- Agree to frequent meetings
- Eliminate distractions
- Invite appropriate staff members
- Prepare in advance

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## Helping the Broker to help you

### The Need for Information

- Changes in Status
  1. New Locations
  2. New Property
  3. New Activities



- Renewal Information in a Timely Fashion

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## Helping the Broker to help you

### Proper Claims Reporting

- Understand the reporting rules for “claims made” policies.
- Trust the Broker with information.
- Learn claim reporting procedures and share with others in the organization.

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## Helping the Broker to help you

### Treat the Broker as a Professional

- Part of your Management Team.
- Allow the Broker to confer with other professionals.
- Respect the Broker’s time.
- Insurance isn’t a commodity; don’t treat it as such.

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## Evaluate Your Provider

- Responsiveness
- Timeliness
- Credibility
- Commitment
- Claims handling
- Accuracy
- Results



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## Summary

### Agent/Broker Role

- The broker has the responsibility to be a proactive advisor and advocate.
- You, the client, have the responsibility to be cooperative and respectful of the relationship.
- An atmosphere of mutual trust is necessary to maximize the benefits of the client/broker experience.

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## Webinar Next Month: July 1, 2009 at 2PM EDT

### Professional Liability Claims and Coverage

Attend this webinar to learn about the nuances of this important coverage—how it works, when it's needed, and how to integrate the coverage into your insurance portfolio. During the program we will examine representative claims alleging "errors or omissions" in the delivery of professional services and showcase examples where the nonprofit's acts or omissions were, or were not covered.

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## Thank You!

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