



Choosing your broker

In choosing an insurance agent or insurance broker, each organization must determine those items that are most important or necessary for their risk management programs to succeed and to be effective. This will not be the same for all organizations, nor will every insurance agency or insurance broker provide the same level or type of services, nor will every insurance agency or insurance broker charge you equally.



Developing a broker agreement

An insurance agent's/broker's compensation should be outlined in a mutually agreed upon, written contract or agreement. Along with the method and type of compensation, it should be clearly understood what services will be rendered, additional services available, services to be contracted, fees for additional services, and other variables associated with a comprehensive written contract/agreement.



Insurance broker expectations and compensation

- What services should we expect from our insurance broker?
- What key points should be addressed in insurance broker service contracts?
- How should your insurance broker be compensated?
- How do contingency/ profit sharing arrangements with insurers impact my organization?



What key points should be addressed in broker service contracts?

- Compensation method, calculation process, amounts to be included, and amount
- Term of engagement
- Termination criteria (cancellation notice, compensation earned, etc.)
- Rules of disclosure and confidentiality
- Disclosure of conflicts of interest (contingency arrangements, “reward” plans, etc.)
- Run-off services (minimum 3 to 5 years after separation)



What key points should be addressed in broker service contracts? (con't.)

- Minimum or basic service requirements
 - /// Are all services included in compensation?
 - /// Identify limitations on “included services” (loss control, actuarial services, etc.)
 - /// Will a stewardship report be prepared?
 - /// Timetable/deadlines for services
- Timing of stewardship and renewal meetings
- Ownership of data and intellectual property
- Travel, expenses, overhead costs, etc.
- Utilization of broker’s facilities and resources
- Designated service team and alternatives



What key points should be addressed in broker service contracts? (con't.)

- Minimum professional liability insurance requirements
- Assignability of contract to successor organization
- Compensation audit provisions
- Signature/date block