

How to Choose Your Insurance Broker

'Where's The Beef?'



'Without data, you are just another person with an opinion.'
- Dr. W. Edwards Demming

As outlined in 'The Worst Choices a Buyer Can Make*', we cautioned Buyers that they should not focus on market selection and carrier representation, as virtually all Brokers now represent the same carriers.

To counteract this reality, many Brokers have developed their own risk control, claims management and specialized resources. And then the Brokers show these resources to Buyers under the banner of '*Value Added Services*', as if the term '*Value Added*' means anything to you as the Buyer. Or the Brokers talk in general terms about 'What our resources do.' In some cases, they have packaged these offerings under catchy names in an attempt to differentiate themselves.

Here is why some (or most) Brokers show their resources as a simple list of 'Value Added Services' with a generic explanation or catchy title:

1. YOU may not actually get access to these resources, as they are reserved for other (larger) clients.
2. They will not show you specifics if they do not intend to deploy them on your behalf.
3. The salespeople and the brokerage firm don't actually know how to use them on your behalf, as this would require that they actually understood how to help you reduce your costs. This is probably the most likely scenario, especially when you are simply dealing with an insurance sales organization.

Unfortunately, until recently, you as the Buyer have been between a rock and a hard place, especially if your role is that of a financial executive. You simply have not been trained to separate those brokerage firms who are either a) not willing and/or b) not capable of really helping you reduce your costs and improve your financial efficiency.

It goes without saying that any brokerage firm you are interviewing should pass the basic test of competency. That basic test is now only a qualifier to determine whether or not they have the ability to provide you with risk financing and adequate coverage. Frankly, virtually every Broker you interview will pass that test.

So here is what you need to do... Find out if they not only have the resources to help you, but if they actually know how to use them and have a plan to deliver them to your organization.

The next level of brokerage expertise revolves around the one thing you should care about, and it answers this important question: *How can a brokerage firm really impact **my financial outcome**?* And to then go one step further, you should expect a Broker to demonstrate what their impact will be inside your own metrics, KPI's and analytics.

When you do this, don't just settle for projections (or opinions) of what your risk financing and losses will be... that's the easy stuff. What you want to know is what the whole picture will look like, and that includes your entire cost structure, including indirect loss costs and ways the Broker reduces your cost of risk control and claims management.

The key here is the Broker's ability to show you how it all ties together inside your financial results.

So, in the event you chose to determine whether or not your Broker is the right one for you, please understand that they can all look the same. And that some will attempt to use big words and flashy presentations to differentiate themselves. BUT, WHERE'S THE BEEF? Your job is to ask the simple yet critical question: *"What will the expected financial impact be of your representation?"*

If they can't answer that question with a concise answer in Analytical terms and include all your costs, then you're probably dealing with the wrong Broker. They might look equal, but the proof is in the analytical and quantifiable results!

* The Worst Choices a Buyer Can Make

(tcorcalc.com/analytic-broker-breifing-archives/how-to-choose-your-insurance-broker-the-worst-choices-a-buyer-can-make/)

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