Broker Selection vs. Quoting

Today's competitive pressures are forcing businesses to scrutinize the price they pay for all products and services and to evaluate their professional relationships like never before. Property and casualty insurance and risk management services are no exception. Traditionally, many companies have held the belief that the best way to drive down their insurance costs is by conducting a "bid" process in which multiple insurance brokers are invited to compete and submit quotations.

Competition is an essential tool in helping buyers evaluate professionals and establish price/value relationships. However, in today's insurance marketplace, **the bidding process with multiple agents is not always the best way to achieve the optimum results and can often even be counterproductive.**

The right insurance broker should **help you manage risk, not simply place insurance policies.** We believe that you should select an insurance advisor in much the same way that you select other professional service organizations such as your accounting firm and outside counsel. You evaluate and choose these partners based on **their qualifications, quality of personnel, and depth of experience.** You then allow these trusted advisors to perform services exclusively on your behalf.

Companies that rely on a bid process seldom achieve optimum results for their efforts because the system simply works against them. We have learned from past experience that **bidding your programs with multiple brokers can be detrimental to overall outcomes**. You need a broker that has the capability and the experience to handle the most challenging insurance programs. We recommend that you select the brokerage firm best suited to meet your organization's needs, and allow them complete access to the insurance market...and here's why:

When multiple brokers are used, you run the risk of ending up with the **right carrier – and the wrong broker.** You may not match the broker offering the best service platform with the carrier capable of providing the best pricing and coverage terms.

Using one broker to represent you in the market **enhances your market leverage**:

- It allows the broker to leverage one carrier against the others to obtain the best possible terms and conditions for you -- and to provide you with objective and unbiased evaluations of the various coverage terms, conditions and exclusions. If underwriters see a particular account is being shopped throughout the insurance marketplace by multiple insurance brokers, they feel the chances of obtaining the business are slim. As a result, they have little motivation to give that account their best effort.

- Underwriters are inundated with submissions. Knowing that your broker controls your account, and that they are not part of a blind bid process, is a powerful way to demonstrate to an underwriter that they have a great chance of success if they provide a competitive proposal – an underwriter may move your submission to the "top of the pile" if they feel they have a good chance of writing your account.

- In competitive bid situations the emphasis is typically on the lowest premium. While it is important to take premium into consideration, it is critical for insurance buyers to understand and stay focused on the "total cost of risk". "Total cost of risk" takes into account all those costs associated with a company's insurance and risk management program. These expenses include losses that fall below a company's deductible or within a self-insured retention; uncovered losses; and the administrative costs required to manage the program. It also encompasses lost productivity and production expenses from injured workers or downtime because of damage to a key location. The reality — the premium is only a small percentage of a company's total cost and often the lowest premium can result in the highest total cost. Loss Control and training as well as proper claims management play crucial roles in containing these costs.