

## Pain and Suffering

October 2008

This Tip talks about the “wrong” brokers out there; next month we’ll discuss the ones that are more “right” for your business.

Recently I’ve helped a number of new clients select and start working with a new insurance broker. While it was quickly apparent to me that a change was necessary, in many cases, the client had struggled a long time coming to the same conclusion.

Businesses grow, specialize, add new products, services, employees and customers over time. Your broker may have been fine when you were smaller and less complex, or some of their key people may have retired or left. Subtle, slow changes are the primary reasons that “right” turns to “wrong.” It happens all the time – and it’s usually invisible if you don’t know what to look for.

### Think about changing brokers if ~

- All you get is an email at renewal time with some forms to sign (no “face” time)
- Questions are answered with incomprehensible jargon (never accept that!)
- You ask for a policy copy and it has to be mailed from “home office”
- You ask if you coverage is adequate, and they say, “I can look into that at renewal...”
- Or worse, you ask for details about certain coverages and you get a quick cost-cutting recommendation (probably reducing your coverage)

### Problems that can arise can be terrifying ~

This may be TMI (too much information!), but I’ve seen some baffling blunders -

- Key coverages removed from a business package to save as little as \$125
- Personal Injury missing from General Liability (often in direct insurers’ forms)
- Extended, often free, coverages overlooked because nobody asked
- And then my favorite - inadequate building insurance not addressed because the broker did not want to “bother” the client. Insurance was \$3.6 million; the broker used a simple calculator and said it probably should be \$7.5 million. Yikes!

Is this just me, or is this negligence? How would you, the client, ever know?

Clients usually don’t see the gaps. They avoid taking action on their own (without outside help) because it’s too “confrontational.” Their “only when I need it” insurance purchases are non-strategic, and can quickly snowball into numerous, unmanageable renewal dates, unbundled (more expensive) coverage and a mish-mash of brokers, captive agents and on-line direct purchases. (See Tip #20 – Consolidate) [insert link]

### Take charge ~

I’ve never seen a broker raise his or her hand and say “I’m probably no longer right for you; let me help you get someone new.” Selecting the right broker and analyzing your coverages can be the most frustrating responsibility facing midsize and smaller businesses. Doing nothing – which happens far too often – is your *biggest* risk.

So it’s up to you to take charge. You can get badly blindsided by carelessness and errors if you don’t.