HOW TO CHOOSE AN INSURANCE BROKER

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A broker is an insurance agent. He binds an insured and insurer in an insurance contract without being personally bound. You can use a broker to place some or all of your risks with an insurer.

The creation of agency relationships can be brought about in several ways. However, before you make such an appointment, you need to scale up your choices. Your ultimate choice will be influenced by several factors.

Ascertain the reputation of service. The selected broker should be able to flag up and service your needs. Brokers are not doormen. First-rated brokers take pride in their ability to offer value-addition by vetting insurers vis-à-vis financial security and technical ability. Insurance is a technical field. Your broker needs to demonstrate the skills that other members of the insurance trade normally exercise. Broking is not only about placing insurance and chasing claims. It spans other fields as well, such as actuarial risk assessment, risk management, and portfolio analysis.

Sound brokers must have financial stability and integrity. It is important to ensure that your broker is adequately financed. Certainly, you do not want a broker to misguide you on the money that you pay as premium. Premium payment should be done with due diligence, and this money must be accounted for at all times. In some jurisdictions, the law states that insureds must pay premiums directly to insurers, hence, there is no need to pay premiums to your broker. If your broker insists you pay premium through them, or to them, that's a red flag. Premiums are collated together to form pools from which claims are paid. The principle of 'losses of the few are met by contributions of the many' still stands. If a premium is not paid within the agreed time, then this works against the definitive objective of insurance. Insurance as an institution loses its purpose. Insurers are denied the time to grow the pool to enable them to pay claims easily and promptly.

Premium collection is one of the challenges many markets are facing. Premiums are not forthcoming from creditors. It is the responsibility of a broker to alert the insuring public that the premium has to be paid within the regulated time frame.

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The broker is presumed to have in-depth knowledge of the insured's business and of the market as a whole. The broker's good standing in the market is of utmost necessity. Brokers have a noble obligation to find an insurer that provides insurance requirements as close as covering your present and future liabilities and getting you the most affordable arrangement, not the cheapest insurer. It is the duty of your broker to educate and inform you properly of the contractual obligations or actions that fall outside policy terms and conditions. In turn, you are required to disclose all material facts about the risk and of course, pay the premium within thirty days of cover. Non-payment of premium places you in breach of the policy agreement and you may end up forfeiting benefits on a contract that has been concluded in good faith. Insurers cover only the terms of their policies.

It is even demanding for brokers who handle insurance for big and one-off construction projects such as road construction projects. When a contractor has been awarded a contract, the award document will specify conditions that the contractor is supposed to observe. Oftentimes, contractors happily take these conditions, hoping to transfer the burden to an insurer. The danger is that insurance does not cover all risks faced by the proposer. Insurance policies do have exclusions. Signing up for such agreements without due knowledge of the insurance market may end up putting one in awkward exposure. This is the time when one needs a broker who is well-versed and understands the dynamics and gymnastics of insurance and the market as a whole.

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