



How to Choose Your Insurance Broker: How to Tell if You Have Outgrown Your Insurance Broker

If you are like most buyers of risk financing and insurance services, it is difficult to tell when you should consider a change. You are being called regularly and told that you should consider changing because the caller has the biggest, the best or most efficient Brokerage Firm. In many cases, you are being told that the real difference lies in their ability to finance your risk more cost efficiently.

Nothing is further from the truth.

Look for the Broker who can provide you with data, information and solutions concerning your ACTUAL and COMPLETE COST structure.

The fact is that virtually **all of these Brokers** have access to the same insurance carriers, captive managers or specialty programs. Many of them have their own in-house resources. So, these are no longer significant points of differentiation.

So, how do you really know when you have outgrown your Insurance Broker and need to consider making a change? Look for the Broker who can provide you with data, information and solutions concerning your ACTUAL and COMPLETE COST structure. Find the Broker who can translate your FACTUAL existing data around premiums, loss information and risk management services into your EBITDA, margins, shareholder value, or KPI's.

Prior to moving to a new Broker (or retaining the current one), you need to know how your current program is suffering Financial Leakage. Not simply the premium (usually the smallest cost component), but also your indirect costs of claims and the projects needed to keep this leakage to a minimum.

So, what does the term Financial Leakage mean? **Financial Leakage is the Controllable Costs that are Leaking from YOUR Financial Results. Your Financial Leakage is in the form of Loss Costs, Indirect Loss Costs and Administrative Costs.**

Now, here is what you need to know... These costs are real, and they are a **huge** part of the expense burden inside your business. A professional Risk Manager in a large corporation knows this and makes it an important part of their job.

Just because your business may be smaller than a Fortune 1000 company, *is your profit picture any less important?* In fact, the Financial Leakage you may be experiencing may be even more critical because the revenue stream against your expense load is smaller.



The concept of Financial Leakage has been around for years. But it's only been in the past 24 months that Financial Leakage could be quantified precisely in the insurance industry. Through the development of cloud computing, data sharing, and data analysis, businesses like yours are now relying on their Brokers to provide them with a full cost assessment that includes a Financial Leakage Report.

It is the Financial Leakage Report that allows you to have a starting point of analyzing your Broker's performance as it relates to your specific cost structure. Anything other than that and you are simply getting a report about how the "PRODUCT" you were sold is doing. That tells you nothing about the Broker who is providing it.

Here are the specific questions you should ask your current Broker or any 'courting' Broker to answer in **specific analytical terms**:

1. How much EXACTLY is leaking from our business results in controllable Financial Leakage? How much has it been over the past 3 years?
2. What is the impact of this Leakage on our profits and business performance?
3. What are your plans to help us 'recapture' this Leakage?
4. How will we be able to benchmark your performance as it relates to our business results?

The bottom line is this...when you are determining whether to switch Brokers, ask the questions above. And get real answers. In quantifiable terms. If you can't get that information readily and without hesitation, you have outgrown your current Broker. Certainly, don't switch to another Broker who can't answer these questions either. **Each of these firms is now obsolete and probably won't be around for as long as you will need them to be.**

