

Role of the Broker

One of the principal reasons for using an intermediary for the purchase of insurance is to obtain the benefit of that broker's professional advice and market knowledge. The broker's function is to:

- fully understand the client and the client's business
- advise on those areas where insurance is required
- negotiate insurance coverage within the chosen range of insurers
- handle the servicing and administration of the insurance contracts
- advise on changes in coverage and improvements in wordings as the client's exposure develops or the insurance market changes
- advise and guide the client on how best to manage its risk and prevent, to the greatest extent possible, future losses

Additionally, the broker should act as an advocate on behalf of their client with respect to issues surrounding the reporting of potential claims to the insurers, and in the settlement of claims under the insurance coverage.

Understanding the Client and the Client's Business

Ideally, the broker should have internal resources with direct experience in the client's business. In the case of law firm clients, the broker should have internal resources that have either worked in law firms, or have dealt so exclusively with law firm clients so as to have gained an intimate knowledge of them over a period of years.

Advising on the Insurance Required

In-depth knowledge of the client's business naturally leads to a more thoughtful assessment of the client's insurance needs. The broker should be able to provide useful advice with respect to appropriate levels of coverage, and should identify any particular issues for the firm that may require specific insurance solutions.

Negotiating Terms and Conditions

The largest portion of the overall service factor in any twelve-month period tends to be the negotiation of terms and conditions with the insurance market. This process includes, among other things, the following:

- development of underwriting submissions
- negotiations with insurance markets
- analysis of alternatives obtained to include:
wording comparisons, financial comparisons and discussions with the client firm as to the subjective and objective advantages and disadvantages of each option.

In certain circumstances, the broker may assist the client in drafting or customizing policy language for specific insurance requirements.

Servicing and Administration of the Insurance Contracts

This function entails streamlining, to the greatest extent possible, the application process and assisting the firm through it, helping the firm gather documentation for the underwriters and, ultimately, packaging materials for appropriate presentation to the underwriters. In addition, the broker assists in the final execution of the transaction and maintains copies of the relevant documentation. Further, where required, the broker will facilitate the financing for the insurance transaction.

Monitoring Changes in the Marketplace

An experienced broker follows changes in the marketplace and keeps clients informed about changes in insurance availability and trends, new coverage issues or claim developments that may affect the firm, developments in policy language, and the activities of comparable firms with respect to insurance issues. The broker will provide periodic market updates, carrier and product updates and risk management updates to communicate this information to the firm.

Risk Management

Advice in the area of risk management is provided on both a formal and informal basis. The broker should take a proactive approach in offering services to their clients, but should leave the utilization of such services to the discretion of each client firm.

Claims and Coverage Issues Advocacy

Often the broker can act as an intermediary and advocate on behalf of the client with respect to claims situations. Where coverage issues require clarification, the broker can act as an intermediary and attempt to utilize its leverage with the underwriter to effect an interpretation favorable to the client. The broker may also assist in selecting counsel, creating settlement strategies, and collecting fees and loss settlements.

