

Benefits Insights

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SIDERS

INSURANCE SOLUTIONS

Understanding Your Broker's Compensation

Your relationship with your broker is an important aspect of your business. Choosing a broker and understanding how he or she affects your coverage and pricing is an important step in selecting coverage.

Why Work With a Broker?

Insurance brokers can offer you expertise, attention, and service that you can't get from communicating directly with an insurance carrier. Your broker should act as your advisor, learning about your business and finding solutions that best fit you and your employees. In addition, a broker will likely be able to look at plans and obtain quotes from multiple carriers in order to find the best plan options for your company and employees.

A good broker will dedicate more time to working with you and responding to claims or issues than a carrier typically would. Also, the best brokers offer value-added services that make working with them much more meaningful to your business than simply helping you secure a benefits plan.

Who Pays the Broker?

Insurance brokers are paid by the insurance carrier that provides your benefits plan. The premium you pay goes to the carrier, and then the carrier pays the broker, generally in the form of a commission and a bonus.

The commission is typically a percentage of your premium amount. Often, the commission is graded (the carrier pays a larger percentage on the first dollars and scales back as the premium increases). This is done so that brokers receive reasonable compensation even for smaller accounts, which encourages them to work with and provide the same quality service to small businesses as they do to large companies.

In addition, many carriers provide bonuses to brokers who place business with them and may offer bigger bonuses for brokers in which they have long-standing relationships.

What is the Broker of Record?

What is the Broker of Record? The broker of record is the designation by the policyholder regarding the broker or agent who represents and manages the policyholder's insurance plans.

When you sign a broker of record letter, your company is entering into a legal relationship with the broker and the insurance carrier.

The broker who is the broker of record will receive the commission on any insurance policies you purchase. This is important to understand because the commission follows the broker of record letter. If you sign a new broker of record with another agent, the commission will now go to that new broker, replacing your current broker.

If you have questions about how brokers are compensated or how signing a new broker of record letter affects our relationship, you can contact Siders Insurance Solutions at 530-409-6006.
