

# Choosing and Using an Insurance Broker

Business Information Factsheet  
BIF027 · March 2016

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## Introduction

An insurance broker acts as an intermediary between a business and different insurance providers. Insurance brokers analyse general and commercial insurance needs, and advise business owners and directors on the most suitable policies for their particular circumstances. A good broker should have broad and up-to-date knowledge of the insurance sector, contacts with a variety of insurance providers, and be able to help consider the most appropriate cover for a particular type of business. It is important to choose a broker who understands the business and its sector, and any particular risks and requirements, in order to arrange the most suitable and affordable cover.

This factsheet explains the services that insurance brokers provide, as well as the issues that should be considered when selecting and briefing a broker. It also identifies how to find a reputable broker and suggests ways of resolving any problems that may be encountered with a broker.

## What services does an insurance broker provide?

Insurance brokers typically provide advice about the specific insurance policies a business needs, including policies required by law and those considered necessary to protect the business, its directors and employees against certain trading risks.

The main services brokers provide are:

- A single point of contact for all general and commercial insurance needs, which saves time when choosing insurance cover for a business.
- Guidance about the range and different types of insurance cover that is available.
- Impartial advice about the different types of insurance policies that are available, what they cover and any policy restrictions.
- Selection of the most appropriate and cost-effective policies, after comparison of several suitable insurance providers.
- Help with completing application forms.
- Advice on ways to reduce business risks and therefore lower premiums.
- Reminders when policies are due for renewal.
- Support and advice if it becomes necessary to make a claim.

Some insurance brokers are also registered as independent financial advisers (IFAs). This allows them to provide advice about insurance cover for individuals, such as sole traders and directors, including life assurance and income protection policies, as well as pensions and investments.

## Finding a broker

The insurance market is hugely competitive and a quick online search will produce a long list of insurance brokers. To help narrow down the options, business owners should consider seeking recommendations from existing business contacts or their trade association, or search specialist directories of insurance brokers.

There are also professional associations for the insurance industry that maintain members' directories, including:

- The British Insurance Brokers' Association (BIBA), which maintains a directory of just under 2,000 members searchable by location or specialist field. Go to [www.biba.org.uk/find-insurance](http://www.biba.org.uk/find-insurance) for details.
- The Financial Conduct Authority (FCA), which regulates the insurance industry and insurance brokers. The FCA maintains a register of authorised firms at [www.fca.org.uk/register](http://www.fca.org.uk/register).

## Selecting a broker

Choosing a good broker is essential for ensuring a business has the right insurance cover at the best price. Business owners should feel confident that the broker they choose is someone they can work with on an ongoing basis.

The main issues to be considered when searching for potential brokers include:

- Do they have experience of dealing with a particular business type, size or sector? It is essential that the broker understands the specific needs of the business and can identify suitable insurance policies.
- Do they have an in-depth and up-to-date knowledge of the current insurance market and do they work with a wide range of providers? Insurance needs are likely to change as a business grows and a broker should be able to advise about this.
- Are their rates competitive in comparison to other brokers or a direct insurer?
- Are there any hidden fees? Brokers traditionally earn commission from insurance providers, but some charge additional fees for certain types of work, such as administration.
- How will they manage policies on an ongoing basis? For example, what is the process for the renewal of policies?
- How long have they been trading and how much previous experience do they have of the insurance sector?
- Can they provide references from current customers?
- Where are they based? Is it preferable they are based locally in order to hold face-to-face meetings, or is online/telephone support sufficient?

## Working with an insurance broker

Once selected, the insurance broker should carry out a full business review to identify:

- The type of insurance policies the business needs and the appropriate levels of cover.
- The specific policies that should be considered, including the risks they will address and the cost.
- Any actions that could be taken to reduce premiums, such as improving the security of business premises or increasing a policy excess fee.

It is important to maintain regular contact with the broker, in order to:

- Review policies that are due for renewal. This should determine whether the level of cover is still appropriate and provide details of the cost of renewing the policy with the most competitive provider.
- Discuss any changes to the business that may affect existing policies or create new risks that need to be considered. This is very important as changes to a business may invalidate an existing insurance policy.

## Resolving problems with a broker

Insurance brokers have a professional obligation to provide clients with appropriate and accurate advice. If a business owner feels they have been sold an inappropriate policy or the business has suffered a loss as a result of poor advice from a broker, it is possible to pursue a compensation claim against them. All regulated brokers are required to have professional indemnity insurance cover to protect them against this.

It is important to discuss any complaints against a broker with them first to determine if the dispute can be resolved informally. If the broker fails to give a satisfactory response to the complaint, contact the Financial Ombudsman Service ([www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)) for advice before making a legal claim against the broker. The Financial Ombudsman Scheme can only deal with complaints from small businesses with fewer than ten employees.

## Hints and tips

- Business start ups should contact a broker to find out what mandatory insurance cover must be in place before they start to trade.
- Business owners should decide if it is important to have a local broker who will be available for face-to-face meetings, or if they are happy to arrange their insurance over the phone or online.

## Further information

BIF 6 Insurance Cover for Business

BIF 375 Employers' Liability Insurance

BIF 404 An Introduction to Indemnity Insurance

BIF 405 A Guide to Business Continuity Planning

BIF 465 An Introduction to Trade Credit Insurance

## Useful contacts

The British Insurance Brokers' Association (BIBA) represents insurance brokers and intermediaries. Their website includes a jargon buster, insurance guides and a 'find a broker' directory.

Tel: 0344 7700 266

Website: [www.biba.org.uk](http://www.biba.org.uk)

The Financial Conduct Authority (FCA) regulates financial services in the UK, including insurance broker firms.

Tel: 0300 500 0597

Website: [www.fca.org.uk](http://www.fca.org.uk)

The Financial Ombudsman Service (FOS) is an independent body that deals with complaints between consumers and financial service providers.

Tel: 0800 023 4567

Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

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