



POST: The Worst Choices a Buyer Can Make

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For decades, Buyers of insurance and brokerage services have used various techniques to choose their Broker. The three main processes are as follows:

1. **The Market Selection Process.** This method was prevalent when there was a large number of underwriting carriers. It is now completely outdated, as marketplace upheavals have reduced the number of viable insurance carriers to a handful. Since most Brokers now essentially represent all of the same insurance carriers, the 'Market Selection Process' is no longer an effective method. The only exceptions to this involve highly specialized coverages or very technical placements.
2. **The Brokerage Capabilities Presentation.** This selection method, popular from the mid-1990's until the early 2000's, was commonly known as a Broker "Dog and Pony Show." Each Broker selected to compete was asked to present their capabilities as regards not only the marketplace but also their resource capabilities and specialized services. In many cases, Brokers were interviewed with several winners chosen to compete in the marketplace. This method is now completely obsolete for the reason stated above, as well as the fact that virtually all successful Brokers now have resources in risk control, claims management and other specialized services.
3. **Brokerage Request for Proposal.** The last variation of the selection process involves a much deeper and intensive undertaking. In the RFP process, the Buyer chooses the pertinent information to be provided to the competing Brokers. Then they attach a strategic list of questions designed to help them select the correct Broker. This process, usually created by risk managers or risk management consultancies, is extremely costly to the participating Brokers and usually does not provide any new information to the Buyer. Each participant spends more time determining how to display their offerings and wording their responses than they do in actually creating client value!



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Here is the bottom line: Each of these processes are now completely outdated. Why? Because they do not allow the Buyer to actually determine which Broker will do the best job of reducing their costs or improving their financial position. Yes, each will allow the Buyer to work inside the insurance transaction, but that is now the smallest part of a firm's risk management spending (commonly referred to as Total Cost of Risk or TCOR.)

Cloud computing and data is now available to allow a Buyer to ascertain the financial impact their chosen Broker might have on their insurance and operational results. It is readily available to Brokerage firms who want to answer these important questions from Buyers:

- What does our current cost structure look like, and how much is currently leaking from our financial results?
- How can your firm help us improve our important metrics such as EBITDA, margins, ownership valuation and other critical KPI's?
- What will be the specific financial impact of the resources and projects you provide to our firm?
- Aside from our insurance costs, what percentage of our spending is being wasted on controllable internal expenses?

Analytic Brokers are able to answer all those questions and more. There are numerous cases of Analytic Brokers changing the buying process during the sale. Once the Buyer understands the obsolescence of the three traditional buying processes, they are rushing to the firms who can actually provide them with an outcome... not just another obsolete process! [Contact us](#) today and start maximizing your potential tomorrow!

Analytic Brokerage™ is the only credible source of brokerage analytics in North America. Analytic Brokers provide buyers with proprietary business intelligence and quantifiable results using TCORCalc™ certified data.



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