



<http://understandinsurance.com.au/insurance-brokers>

## **Insurance brokers**

An insurance broker is a specialist in insurance and risk management.

Brokers act on behalf of their clients and provide advice in the interests of their clients. Sometimes an insurance broker will act as agent of an insurer, but where this occurs the situation should be fully explained to you.

A broker will help you identify your individual and/or business risks to help you decide what to insure, and how to manage those risks in other ways.

An insurance broker might specialise in one specific type of insurance or industry, or they might deal with many different types.

Insurance brokers can give you technical advice that can be very useful if you need to make a claim.

Brokers are aware of the terms and conditions, benefits and exclusions and costs of a wide range of competing insurance policies, so they can help you find the most appropriate cover for your own circumstances.

Brokers can help arrange and place the cover with the chosen insurer and can often provide advice on how to make the most of your insurance budget.

## Why use a broker?

Insurance brokers have access to many different insurance policies and, because they deal with a range of insurance companies directly, sometimes brokers have access to policies that are not available to most consumers.

Because the general insurance industry in Australia offers so many options, it can be quite difficult to choose the right policy.

Some insurance policies can be complicated, and an insurance broker can help you understand the details of a policy and also work out what level of cover you need, so that you can make sure you are properly protected.

Depending on the type of advice a broker may provide, they may be required to provide that advice, in addition to other information, in a document called a Statement of Advice (SoA).

Brokers can often find you a good deal on insurance because they have a thorough understanding of the insurance market and can negotiate premiums on your behalf.

A broker will explain your policy to you and advise you if there are any special situations you need to know about.

Brokers can prepare a customised insurance and risk management program for you or your business, where they design the policies, negotiate the terms with insurance companies and place the cover with the insurer.

By including a risk management program, which puts some of the responsibility for risk prevention and loss minimisation on you or your business, you can reduce premium costs.

If you need to make a claim on your policy, your broker will assist you through the process and will liaise with the insurer on your behalf.

Insurance brokers might charge you a fee for their services, or they might receive a commission from the insurance company. They are required to advise you of the fees that they charge or the commission they receive. This may be set out in the Financial Services Guide, Product Disclosure Statement or where a broker has provided you with personal financial advice, the fees and costs associated with their advice will be set out in your Statement of Advice.

### **NACYS Child Care Centre**

An Adelaide community centre is back in action after an arson attack caused \$1 million damage.

## Choosing a broker

Just as you would spend some time trying to make sure that the insurance policy you choose is the right one for you, if you decide to use an insurance broker you should make sure that the person you appoint is going to help you in your particular situation.

The [National Insurance Brokers Association \[ http://www.niba.com.au/html/index.cfm \]](http://www.niba.com.au/html/index.cfm) (NIBA) is the peak body for insurance brokers.

NIBA has a [Need-a-Broker \[ http://www.niba.com.au/html/need-a-broker.cfm \]](http://www.niba.com.au/html/need-a-broker.cfm) service to help you find a registered, qualified insurance broker in your area who is a NIBA member.

To find a broker visit [www.needabroker.com.au \[ http://www.needabroker.com.au \]](http://www.needabroker.com.au) or call the Need-a-Broker service on **1300 53 10 73**.

## Regulations

All insurance brokerages in Australia must have an Australian Financial Services (AFS) licence, or be appointed as an authorised representative of an AFS licensee.

Brokers must also meet the conduct standards set out in the Corporations Act 2001 (Cth) (Corporations Act). There are general conduct obligations that apply to all financial services licensees and authorised representatives and specific conduct obligations that apply to an adviser who provides personal financial product advice.

Where a broker provides you with personal financial advice then in accordance with the Corporations Act they must:

- Act in your best interests
- Provide you with appropriate advice
- Warn you if their advice is based on incomplete or inaccurate information
- Prioritise your interests where there is a conflict with their own interests (or an interests of a related party)
- Prepare and provide you with a Statement of Advice (SoA) that documents their advice in relation to the insurance policy

The [Australian Securities and Investments Commission \[ http://www.asic.gov.au/ \]](http://www.asic.gov.au/) (ASIC) is the industry regulator that monitors the conduct of those who hold an AFS licence.

Brokers are required to be members of an authorised external dispute resolution scheme as a condition of their AFS licence. Generally, the [Financial Ombudsman Service \[ http://www.fos.org.au/centric/home\\_page.jsp \]](http://www.fos.org.au/centric/home_page.jsp) (FOS) is the independent organisation that helps resolve complaints and problems between brokers and their clients. Brokers are bound by the decisions of FOS.

Experienced insurance brokers in Australia will generally hold additional qualifications such as a Diploma of Insurance Broking, or other tertiary qualification, or a professional designation, such as NIBA's Qualified Practising Insurance Broker (QPIB) or Fellow.

Members of NIBA also promise to follow the terms of the [Insurance Brokers Code of Practice \[ http://www.niba.com.au/html/43303.cfm \]](http://www.niba.com.au/html/43303.cfm) which sets out the standards of professional practice and levels of service that are expected of brokers.

## Resolving disputes

If you do have a complaint about the services being provided by your insurance broker, in the first instance you should raise it with them. All insurance brokers should have an internal complaints and disputes handling process designed to help resolve any complaint.

If it is not possible to resolve the complaint to your satisfaction through this process, you can refer the unresolved complaint (called a dispute) to the free and independent external dispute resolution process administered by the [Financial Ombudsman Service](http://www.fos.org.au/centric/home_page.jsp) [ [http://www.fos.org.au/centric/home\\_page.jsp](http://www.fos.org.au/centric/home_page.jsp) ] (FOS).

FOS will examine your dispute and if it is within its jurisdiction, seek to resolve it by liaising with you and the insurance broker. If the dispute cannot be resolved, FOS can make a determination imposing binding sanctions on an insurance broker after considering the available evidence. While the above process is designed to make things easier for you, you still have your normal legal rights regarding any dispute.

Reassuringly, there are very few disputes involving insurance brokers each year. In the 2012-13 financial year, disputes against brokers made up only 2.5 per cent of the total number of general insurance disputes made to FOS\*.

If you have a complaint about the products or services being provided by your insurance company, please refer to the section [resolving disputes](http://understandinsurance.com.au/resolving-disputes) [ <http://understandinsurance.com.au/resolving-disputes> ] .

\* Financial Ombudsman Service General Insurance Code of Practice Overview for the Year 2011-12 | [http://www.fos.org.au/centric/home\\_page/about\\_us/todays\\_of\\_practice/general\\_insurance\\_code\\_of\\_practice.jsp](http://www.fos.org.au/centric/home_page/about_us/todays_of_practice/general_insurance_code_of_practice.jsp)

## FAQs

### What do brokers do?

Insurance brokers work with their clients to understand their risks, and to discuss how to use insurance to protect their assets and businesses. Brokers offer expert advice on the management and reduction of risk, and on the range of insurance products that are available.

They use their in-depth knowledge of risk and the insurance market to identify and arrange suitable insurance cover – both for businesses and individuals.

Brokers have an extensive knowledge of the range of insurance policies available in the market, and a network of industry contacts, allowing them to negotiate the best deals for their client's individual needs. The same skills and networks are also used to help their clients resolve claims when they arise.

### Why use a broker?

An insurance broker can save you time, money and worry. A broker can help you understand the cover you need, and can purchase that cover for you from the insurance market.

Often consumers and businesses will make a decision based purely on the lowest price – and that can backfire in the event of a claim if you find out you're not adequately covered, or even not covered at all for the loss that occurred.

Whether it's business, home or motor insurance, brokers provide advice and assistance to make sure you are properly protected. The advice is tailored to your needs.

### How do you find a broker?

The National Insurance Brokers Association (NIBA) represents more than 90 per cent of brokers in Australia, and has nearly 400 member companies.

The NIBA's [Need a Broker website \[ http://www.needabroker.com.au \]](http://www.needabroker.com.au) lists hundreds of national and regional brokerages, searchable by postcode and highlights their areas of specialism.

### What types of insurance do brokers offer?

According to the National Insurance Brokers Association (NIBA), brokers place almost half of all general insurance premiums in Australia – about \$17 billion a year\* – and are typically involved in helping arrange commercial insurance.

The most common types of insurance brokers arrange are business packages, commercial motor and professional indemnity.

However, nearly all brokerages also provide assistance for everyday types of insurance, such as home insurance and private motor insurance, for clients.

\* APRA Intermediated General Insurance Statistics, June 2012

### Do you have to pay for the services of a broker?

Many insurance brokers get paid a commission by the insurance companies when the policies are purchased. Other insurance brokers act on a fee-for-service basis, and negotiate the fees they charge with their clients. Ask your broker to explain the situation to you.

### Does it cost more to use a broker?

Not necessarily. It can cost less because brokers have knowledge of the insurance market and can negotiate competitive premiums on your behalf.

A broker is obliged to advise you of the fees charged for the services provided to you, so there are no hidden costs. Fees should be set out in the Financial Services Guide, Product Disclosure Statement (PDS) or where a broker has provided you with personal financial advice, the fees and costs associated with their advice will be set out in your Statement of Advice.

Remember, not all insurance policies are the same. You might be able to get a cheaper policy elsewhere, but it may not provide the cover you need if something goes wrong.

### What's the difference between an insurance broker and an insurance company advisor?

Advisors representing a particular company provide guidance on that company's insurance products.

Because brokers are usually not aligned to any one company, they can usually explore a range of products and services available on the market and offer you tailored advice.

Some brokers do work on behalf of insurers but they are obliged to inform you if this is the case.

### What sort of questions should you ask your broker?

Like any business partnership you enter into, it's important to choose a broker that is a good fit for you and one you feel you could develop a close and long-lasting business relationship with.

It's good to find out:

- The broker's qualifications
- The range of services
- Who would service your account
- Experience with your type of business
- The size of the broker's typical client
- How they bill for the work
- References from satisfied clients

If you run a business, you might then ask the broker to make a presentation. At the presentation you should look for:

- Business compatibility
- Level of commitment
- How the brokerage proposes to solve your insurance problems
- The competitive advantages of that brokerage compared with any others you may be considering

### **Can a broker help you work out what risks you have?**

Yes, particularly with regard to business insurance. Many brokers are skilled risk managers who can advise you on the risks you face, and how to manage them.

Insurance is just a part of the overall risk management strategy, in that it transfers risk to another party (the insurer) at an agreed premium. Having effective risk prevention and loss minimisation strategies may help reduce premium costs.

### **Should you let your broker know if your circumstances change?**

Yes, and straight away. New circumstances can have a great bearing on the risks you face, and these will need to be factored into your insurance requirements. Not doing so could result in your insurer reducing or refusing your claim.

You should also ask your broker to provide written confirmation that any changes have been passed on to your insurer.

### **Can your broker help you make a claim?**

Yes. In many cases a broker can negotiate a settlement with the insurer on your behalf to swiftly get the best result for you, and to ensure your life gets back to normal as soon as possible.

### **How will you know if a broker is qualified?**

Brokers go through specific education and on-the-job training to earn their qualifications.

In particular, look for a broker who has earned their Qualified Practising Insurance Broker (QPIB) or Certified Insurance Professional (CIP) status. If in doubt, ask. Brokers will be happy to let you know of their qualifications and explain what it takes to attain them.

Brokers are required to show evidence of continued professional development each year to maintain their qualifications.

### **How can you be sure a broker will pass on your premiums?**

There are mechanisms in place to protect consumers in the unlikely event that premiums are not passed on by a broker. In almost all cases, the customer will not be adversely affected should a claim arise under such circumstances.

### **What if you have a complaint about a broker?**

All insurance brokerages in Australia must hold an Australian Financial Services (AFS) licence or be appointed as an authorised representative of an AFS licensee. Insurance brokers must comply with certain requirements under the *Corporations Act 2001 (Cth)*, the *Insurance Contracts Act 1984 (Cth)*, and the [Insurance Brokers Code of Practice \[ http://www.niba.com.au/resource/Code%20of%20Practice%2020021012.pdf \]](http://www.niba.com.au/resource/Code%20of%20Practice%2020021012.pdf). The [Australian Securities and Investments Commission \[ http://www.asic.gov.au/ \]](http://www.asic.gov.au/) ASIC is the industry regulator that regulates the conduct of [Australian Financial Services \(AFS\) licensees \[ http://www.asic.gov.au/asic/ASIC.NSF/byHeadline/Licensing \]](http://www.asic.gov.au/asic/ASIC.NSF/byHeadline/Licensing).

Brokers are required to be members of an authorised external dispute resolution scheme as a condition of their AFS licence. Generally, the [Financial Ombudsman Service \[ http://www.fos.org.au/centric/home\\_page.jsp \]](http://www.fos.org.au/centric/home_page.jsp) (FOS) is the independent organisation that helps resolve complaints and problems between brokers and their clients. Brokers are bound by the decisions of FOS.