

# The little guy's turn

Every dog has its day, and in the wake of massive consolidation in the broker market, the smaller intermediaries are finding more and more large corporates knocking at their door. But, asks **Michael Rossi**, have the multinationals noticed, and do they really care?

**D**uring the period of consolidation among brokerage firms, some commentators argued that the creation of a few giant international brokerages would give regional and national intermediaries opportunities that they had never before enjoyed.

A couple of years down the line, this has largely been borne out as more and more large corporates are turning to local alternatives. There are several reasons why this is so.

First of these is a perceived lack of service from the larger firms. A growing number of large corporates are dissatisfied with the service they are receiving from international brokerages. They argue that too many of the professionals at such firms treat them merely as an account to service for the brokerage (or even the insurer) that they consider their real client.

They also complain of a lack of flexibility and initiative in addressing insurance programme issues. Professionals at the larger groups, they say, merely follow the policies and procedures set forth by the brokerage. Some also grumble that too many of their brokers lack technical expertise.

Some of these views are unfounded. I have worked on several projects in the past few years with very talented professionals at some international brokerages, where the service was outstanding.

But just as surely, some of these criticisms hit the mark. Time and again I am brought in to help on an account serviced by an international brokerage where one or more of the professionals assigned to that account do not have the technical expertise required to provide the level of service that should be expected.

One manifestation of such poor service is large gaps in the insurance programme. Another is finding an insurance programme structured in a way contrary to how the client wanted it. Even where the insurance

programme is generally sound, it is sometimes comprised of various policies with "off-the-shelf" wordings, or worse, pro-insurer wordings.

Another reason for the exodus from the international brokerages is the large corporates' desire to be a "two brokerage company". Years ago I noticed that many companies prided themselves on splitting their insurance work between at least two of the large brokerages. Their motivations varied. Many wanted to avoid being beholden to anyone broker and valued the ability to get a second opinion on issues when needed.

However, the consolidation over the past several years left some large corporates "one broker companies". In striving to become a "two brokerage company" again, some have looked outside the international brokerage community for their choice of second broker. Some simply do not see any substantive difference between the international brokerages, and feel that using two such brokers is being a "two brokerage company" in form only, not in substance.

If the international brokerages want to address large corporates' concerns, they have to do at least two things.

Firstly, they have to train more of their people to be excellent technicians; too many of their personnel are trained as sales people and generalists. Secondly, they need to negotiate a payment mechanism with large corporates that warrants their technicians spending the time needed to provide top level service.

But do the international brokerages really even care about this trend? I don't think so. It would appear that, to maximise profits in the current circumstances, international brokerages must continue to provide services for as many clients as possible in a way that "commoditises" the insurance placement process. This means generating the same or greater

income in less time and at a lower cost.

Is this good for corporate insureds? Probably not. But if international brokerages have a duty to their shareholders to maximise profits, then their reaction to this trend is a foregone conclusion, unless their insureds provide an alternative that maximises profits.

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