

# SMEs buying insurance using a broker

## Four things to consider when buying insurance through a broker

As the owner or manager of a small business, insurance brokers can play a valuable role in helping you to arrange the right insurance cover for your business.

**Take these four steps to check the work your broker does meets your expectations.**

**1 Check whether your broker is providing you with advice and a recommendation.**

Some brokers will provide advice when arranging your insurance while others may not. Those brokers that do provide you with advice and a recommendation will have assessed whether the policy they are recommending is suitable for your specific business needs. Those brokers that do not provide advice will have only considered whether you are eligible to claim under the policy and this could mean you do not get the appropriate level of cover for your business.

**2 Check the range of quotes your broker has obtained for you.**

In some cases, brokers arrange policies with a single insurer without considering alternative insurers and getting other quotes. This could be because they have negotiated better coverage or other policy improvements with a single insurer. However, this increases the risk you could pay more for your insurance than if other options had been considered. If you are concerned about the range of quotes, the price or the cover, check with your broker about any alternatives that may be available.

**3 If you need to spread the cost of paying for your insurance, check the finance your broker has arranged.**

- Make sure you know how much more it costs to spread the payments.
- Ask your broker whether they have considered other financing options which might be cheaper (e.g. from the insurer providing your cover) so you can compare these to the first option they provide.
- Consider whether other finance options are available which might be significantly cheaper (e.g. use of existing overdraft or business finance).

**4 Find out how much commission you are paying**

Our rules give you (as a commercial customer) the right to receive commission disclosure from your broker if you request it. This includes all income earned from arranging your insurance, including from premium finance and add-on policies. Most of the brokers we considered in a recent review earned average commissions above 20%.

This four-step guide is the result of an FCA review of insurance brokers providing services to small and medium enterprises.

You can learn more about our findings by visiting:

[www.fca.org.uk/commercial-insurance](http://www.fca.org.uk/commercial-insurance)