

Guidelines in Using Broker of Record Letters



To assist brokers and insurance companies in understanding the legalities of Broker of Record Letters, the following guidelines have been prepared:

1. When should a Broker of Record Letter be used?

Only when an insured has decided to appoint another agent to handle his account. It should not be used if the intent is to simply authorize an agent to obtain a renewal quotation. A broker letter cannot be filed where the new broker does not represent the insurer presently on the Policy.

2. What responsibilities does a broker incur when he takes over an account by a Broker of Record Letter?

The broker is responsible for return commissions if the account is subsequently cancelled. He/she is also responsible, from the date of appointment, for the additional or return premiums resulting from year-end premium adjustments such as audit reports, stock adjustments, etc. The former broker is entitled to the full annual commission, regardless of when the letter is filed, be it one minute after the effective date or three months later. This practice may not be acceptable to all insurers.

3. Does the new broker have a Professional Liability exposure?

Definitely. If an uninsured loss occurs under any policies taken over by a broker, the courts will look to him for recovery. It is, therefore, critical that the broker be fully aware of the client's exposure before he agrees to take over an account. The question of binding authority is also a major E & O exposure of which the broker must be aware.

4. The Broker of Record Letter must show the name of the company and include the name of the person signing, his/her title and the date of signature. The letter should show the specific insurance company involved, the policy number(s), and in the case of commercial insurance, be on the insured's letterhead. For personal insurance, all named insureds should sign the letter.

5. Not all insurance companies automatically accept a Broker of Record Letter. Many companies have a waiting period, pending confirmation from the previous broker that he has, in fact, lost the business. The new broker may also have to sign a letter from the insurance company, accepting responsibilities for future premiums, etc. Brokerage letters do not apply on special program contracts.

- 6.** A Broker of Record Letter should not be used for obtaining a renewal quotation. If a broker wishes to approach an existing insurer for a renewal quotation, he should obtain a letter from the insured, simply authorizing the broker to approach the insurance company on his behalf.
- 7.** Broker of Record Letters must not be backdated.
- 8.** Broker of Record Letters should not be recognized by insurers, prior to effective date of the brokerage appointment.
- 9.** Premium adjustments occurring within the policy term prior to the Broker of Record Letter's effective date are the responsibility of the "old" broker.

Agent Broker Record of Appointment



TO WHOM IT MAY CONCERN:

I/We
of
hereby appoint _____ of _____, as our
Agent/Broker of Record effective this _____ day of _____, 20 _____.

This authorization of appointment supercedes all other appointments given or inferred and shall remain in effect until cancelled in writing by either party named herein.

_____ is hereby authorized to obtain any and all information, including copies of policies as may be deemed necessary by _____ to act in their capacity as Agent/Broker.

It is expressly understood and agreed that _____ assumes no responsibility whatsoever for coverages currently in effect not for outstanding premiums or commissions.

By signing this letter you are changing your insurance broker.

NAME

AUTHORIZED SIGNATURE

DATE