



## Broker Prequalification

Owners have been prequalifying general contractors and, in turn, general contractors have been prequalifying subcontractors for expertise, performance, safety, and innovative ideas for years. You should do the same with your insurance and surety broker. Insurance is one of the large cost items in your bid. Your safety record and quality of insurance coverage are also frequently scrutinized before you are given the go-ahead to start work or even bid a job. The right broker will position you properly to win more bids and to reduce your insurance costs, thereby improving your bottom line.

The problem is most contractors don't have a good framework for choosing the right construction broker, except for comparing the bottom line price of the insurance quotes. They also don't have a detailed understanding of the right strategy to go to market to get the best insurance coverage terms, conditions and pricing.

Questions you should ask to make sure your broker is right for you:

- Is your broker only present to renew your policies each year?
- Does your broker offer suggestions on how you can improve your safety or claim reserves or risk management programs?
- What pricing and coverage options does your broker provide at renewal?
- Do they provide options at least two to four weeks prior to renewal to give you time to assess and review the best options?
- Does your broker add value to your surety relationship?

**Here are five questions/areas of differentiation to take into account when selecting a construction broker to represent your company:**

1. Use the same process to select your broker that you would use to select an attorney to represent you at trial, or a doctor before surgery, or a CPA to represent you before the IRS. Is the broker experienced, knowledgeable, approachable, and always available to you?

2. What are the experience and capabilities of the insurance team in handling the day-to-day activities that are so critical to your success? You should expect: prompt issuance of certificates of insurance, contract review, accurate billings, audit assistance, and expertise with general insurance questions.
3. What specialty services does the broker provide that will reduce your cost of risk? Typically this is a combination of safety, risk management, claims advocacy, financial benchmarks, and training services to reduce your claim costs and jobsite risks to make you more attractive to insurance underwriters.
4. To verify the specialty services, ask the broker to give you references and success stories to demonstrate how these services made a real difference for contractors similar to you. Every broker talks a good game. Proof can only come from references to verify the results.
5. Is the broker a construction insurance specialist or an insurance generalist? Bigger is not always better. Do they have the relationships and clout with construction underwriters to deliver the services and pricing that will give you a competitive advantage in the marketplace?

### **Broker RFP Process:**

How do you start the prequalification process? Underwriters and brokers generally agree that there is no one single process to follow, however the most common recommendation is to go through a broker interview process for an appropriate selection. Here are the steps and time lines to consider:

1. Start the process six months prior to your renewal date, as this will give you 90 days from start to finish in the interview and selection process to make a decision on what broker you wish to work with in the future. Then your broker has 90 days to negotiate your insurance program with the underwriters.
2. Develop your insurance, safety, claims, and operation specifications/RFP on your business, and provide this overview to the pre-selected brokers that you want to consider. Your current broker can help you with the overview.
3. Ask the broker to give you their specific ideas for improvement, marketing strategies, program design options, and an overview of services and pricing targets in a written RFP. No contact with underwriters or quotes are being done at this time.
4. For the two or three brokers that did the best on the RFP responses, invite them to bring in their entire teams for a face-to-face, one-hour interview. Grade the teams based on who is the best fit and has the best ideas for improving your company's programs.

5. Select one broker to obtain quotes on your behalf, and to have all proposals to you no later than 20 days prior to renewal, so a decision can be made no less than 10 days prior to renewal.
6. Underwriters will give the best pricing and terms to a knowledgeable broker that has your mandate to get a deal done.
7. The RFP process takes some time, but this upfront time used to properly select your broker will pay big dividends in lower insurance costs, and reduced risk for your firm in the long run.

We can provide you with a sample time line and broker scoring sheets for the RFP process, and an outline of information to be included in the RFP. We also have a listing of the brokers in the Greater Bay Area that specialize in construction insurance and bonding.

PentaRisk is a private brokerage dedicated solely to providing insurance, risk management, surety, safety and claims advocacy services to the construction and development industries. Learn more at [www.pentarisk.com](http://www.pentarisk.com).

**Contact Jim Untiedt, CPCU, ARM, CRIS for more information on how we can help you win more bids and increase your bottom line profit. Jim can be reached at [juntiedt@pentarisk.com](mailto:juntiedt@pentarisk.com) or 510.928.1809 cell.**

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