

Dealing with a Broker - Agent

Toll Free: (800) 927 - HELP
L.A. Area & Out of State: (213) 897-8921
T.D.D. 1-800-482-4TDD
www.insurance.ca.gov



Selecting a Broker-Agent

Choosing a qualified, professional insurance agent should be as important to you as choosing your doctor, your accountant, or any other professional. Being an informed consumer is the best way to find the right insurance Broker-Agent. If you are selecting an agent or broker for the first time, one of your best resources to use in selecting that individual is an already satisfied client! Ask your relatives, neighbors or co-workers about their agent and their insurance company and the level of service and professionalism the agent gave them.

The following are excellent questions to ask when selecting someone to protect you, your family, and your assets

Have they experienced a claim?

How did the agent and company respond?

Has the agent been courteous and prompt in responding to their questions and conditions of their policies?

Did the agent take the time to fully explain the terms and conditions of their policies?

Does the agent periodically contact them to update coverages?

Once you have selected an agent to deal with, you may wish to verify his or hers licensing status with the Department of Insurance. Inquire of their license(s), as they must be posted in view of the public. As of January 1, 1997, all agents and brokers are required to include the Department of Insurance issued license number on all business cards, premium quotes, and printed advertisements. This will enable you to verify licensing status with our Department. Ask the agent how long they have been licensed and ask what insurance companies they represent. It is wise to shop for coverage among several insurance companies and among several agents to determine the best insurance coverage for your needs.

Defining a Broker-Agent

A broker-agent can be licensed to sell life insurance, disability and health insurance or fire and casualty insurance. In California, the term broker-agent is used to describe two distinct types of licenses. The title broker-agent does not automatically convey both types of licenses upon the holder, unless he or she qualified for and was issued both types of licenses.

A broker-agent acting in a broker-agent capacity is generally selling insurance with companies that have not appointed him/her. In essence, he or she is shopping for or brokering the insurance among many insurance companies for which he or she will receive a sales commission or broker fee. In this capacity, the broker-agent represents you, the insured, not the insurance company. This license allows the broker-agent to charge you a brokers fee for their services, in addition to any commission they might receive from the insurance company. The fee should be reasonable for the services received.

As an informed consumer, you should always obtain copies of the documents relating to your insurance transactions. Ask for a copy of your insurance applications, your binder (temporary evidence of proof of insurance good for up to 90 days, pending issuance of your actual policy), a receipt for the premiums and/or fees that you have paid and showing the balance of premiums owed,

if any. When paying monies to a broker-agent, always insist on a signed and dated receipt evidencing the amount you paid and the balance due, if any. The receipt and application should specify the actual insurance company that is being used. We recommend you do

Brokers fees are not mandatory and can be negotiable and should be agreed upon in writing between you and the broker-agent before any insurance transaction occur.

business with licensed companies, unless none are available. Your lender or lienholder will require this information and may or may not approve of the insurance company your agent has elected to use.

Never sign blank forms or blank applications. This only invites mistakes, misunderstandings, and possible fraud. All applicable questions should be read and answered by the person applying for the insurance. **Read** the form or application before signing and dating it. If you have questions, ask the broker-agent. If you cannot get satisfactory answers to your question, it might be wise to avoid signing a document you don't understand. You may contact our Consumer Hotline and ask questions. Ask for copies for your records; this avoids misunderstanding at a later date. Make certain that you have in writing and signed by the broker-agent, exactly what coverages you have purchased, the name of the insurance company, the amounts of the coverage, the deductibles (if any), and a copy of your broker fee agreement (if any). Verbal assurances that "you're covered" are quite difficult to prove if you are facing a claim and have no documents to evidence insurance coverage. Even the assistance we offer will not allow us to resolve questions of fact.

Be truthful and accurate in your replies to the questions asked, as they will be verified. Omitted or inaccurate answers will only cause delays, denial, and/or rescission of coverage. If a broker-agent makes an offer to you that sounds too good to be true, it probably is. Ask them to put it in writing and date it. If they refuse, it might be time to shop for another broker-agent. Don't ask your broker-agent to break the rules, "just this once," as you both could be prosecuted for fraud against an insurance company. Your professional broker-agent is there to help you and therefore should have your best interest at heart.

Be an informed consumer and check with the Department of Insurance if you have questions about the insurance company your broker-agent has recommended or appropriateness of the transaction.

Make certain that you have in writing, exactly what coverages you have purchased, the name of the insurance company, the amount of the deductibles (if any), policy exclusions, total premiums due, and when your coverage will take effect and copies of any premium finance arrangements that have been put in place on your behalf. You don't want to experience an insurance claim at a time when you have no coverage in effect.

Glossary

Agent - A licensed individual or organization authorized to sell insurance by or on behalf of insurer.

Binder - A binder is a temporary or preliminary agreement which provides coverage, generally valid for no more than 90 days until a policy can be written or delivered.

Broker - A licensed individual or organization who transacts insurance on your behalf and who may charge a broker fee for their services and as such, the broker would not be appointed by the insurance company.

Broker Fee Agreement - A written agreement that outlines the amount of a broker fee and specifically what services will be rendered by a licensed broker-agent for that fee. The form

should include any refund arrangements as well as, what fee, if any, will accrue upon renewal. Broker fees cannot be charged for Assigned Risk automobile policies or for California Fair Plan coverage.

Claim - Notification to an insurance company that a loss has occurred and that payment is expected under the terms and conditions of a policy.

Deductible - The amount of the loss which the insured is responsible to pay before benefits from the insurance company are payable. You may choose a higher deductible to lower your premium.

Effective Date - This is the date your coverage will begin.

Insured - The policy holder-- the person(s) entitled to benefits in case of an accident or loss.

Insurer - The insurance company, e.g. "General Mutual Insurance Company", not the agency's name, e.g. "ACME Insurance Agency".

Lender/Lienholder - This is the firm entity that has loaned you money on the property you are insuring, whether that is a house, car, boat, motorcycle, etc. It is usually a requirement by the lender or lienholder that you maintain proper coverage on the property or vehicle while there is a loan balance outstanding.

Notice of Appointment - An official notice to the Department by an insurance company appointing an individual or organization to act as their authorized agent.

Policy - Written contract of insurance.

Policy Exclusions - These are written exclusions or exceptions to what the policy will cover or insure. For example: no drivers under the age of 21 etc.

Premium - The sum paid to the insurance company for an insurance policy.

**For the status
of broker-agent
license, contact:**

**California Department of Insurance
License Bureau
320 Capitol Mall, 1st Floor
Sacramento, Ca. 95814
916-322-3555**



TALK to US

Do you have a question, comment or concern? There are several ways to talk to us:



1. Call our consumer Hotline at (800) 927-HELP
Callers within the Los Angeles area please dial (213)- 897 8921
Telecommunication Device for the Deaf dial (800) 482-4TDD



2. Write: California Department of Insurance
300 South Spring St., South Tower
Los Angeles, CA 90013



3. E-mail us through our website at: [www. Insurance.ca.gov](http://www.Insurance.ca.gov)
4. or visit us in person on the 9th Floor at the address above.
Monday through Friday 8:00 AM to 5:00 PM P.S.T.
Excluding Holidays