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National News

There's No Crying in Insurance

By Andrew G. Simpson
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Hearing Aon, Marsh and Willis complain about a supposed lack of a level playing field is a bit like the Yankees or Red Sox carping about the Royals or Twins.

There may be some truth to the big brokers' complaints at recent New York hearings into whether contingent commissions should be banned but it's hard for average agents to conjure up much sympathy for those with the resources to win every season no matter what other teams do.

Average agents and brokers think the big guys have enough of their own advantages that they shouldn't be complaining about a compensation restriction they don't like —especially when the ban was put in place because of their own improper actions.

Peter Resnick, president of the Council of Insurance Brokers of Greater New York, threw a strike right down the middle:

"It is ironic that some of the same mega brokers that were forced to sign settlement agreements to avoid prosecution for their criminal acts have now testified at these very hearings that the sanctions they agreed to should now be applied to all insurance producers. It is laughable when a mega broker such as the Willis Group says the insurance brokerage playing field is not level; if it (Willis) now operates at a competitive disadvantage, it is solely due to its own misdeeds."

Nobody heard complaints about a non-level playing field years ago when Willis, Aon and Marsh, the three largest brokers in the world, were able to engineer front-end commission arrangements that were available only to the industry's mega brokers. Now the mega brokers claim that contingent commissions create an unfair business advantage.

Neal L. Sullivan, chair of the Independent Insurance Agents & Brokers of New York, Inc., finds it "difficult to have any sympathy for the situation they now face, nor is it appropriate to paint the entire insurance community with the same brush."

Willis is no fan of contingent commissions. Its executives think they present an inherent conflict of interest and they support extending the ban to all brokers. Aon and Marsh, on the other hand, don't agree there is a conflict and would like to be able to receive contingents again. However, if the ban is to be extended, they believe it should apply to all brokers, not just to some.

Professional Insurance Agents of New York State Inc. past President John W. Bailey was asked whether contingents are an incentive to agents to steer business. Bailey's scored one for agents with his response: "There simply is no innate advantage in trying to place business in anything but the most appropriate and competitive market... The reality is there are a lot of different types of exposures; and our goal is to bring the best product to our client. It simply doesn't benefit us in an extremely competitive market to place business with the wrong carrier."

"The problem with the current regulatory approach is that it did not result in an industry-wide solution,"

according to Dan Glaser, chief executive of Marsh Inc.

Is that really the problem? Or is it that there never was an industry-wide problem and never should have been an industry-wide ban —just penalties for those who abused the practice?

Which is worse— two sets of rules or one set that unfairly penalizes those who have played the game fairly?

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