

RISK & Power Broker INSURANCE 2006

RISK & INSURANCE
POWER BROKERS: COMPUTER HARDWARE

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Superstar middlemen of the computer hardware field come hard-wired with memory and speed. They may not be able to compute as fast as a 2-gigahertz chip or store as much memory as a 100-megabyte hard drive. But what they lack in memory storage and speed, say risk managers, they make up for with vision and creativity.

Chad Rosenberg

Chad Rosenberg's not your usual technology broker. In fact he specializes in surety bonds and one tech manager said there is no one else who he would go to. Rosenberg, president of the firm of Rosenberg & Parker, Bala Cynwyd, Pa., makes a market out of his tech client's needs.

A technology company might need a bond if, for example, they were leasing hardware and services to a public school district. But the surety companies often can't figure out the technology companies. Enter Rosenberg.

"Rosenberg has offered us some great solutions to tough problems when it came to handling our surety programs. For tech companies, he the surety go-to guy," the risk manager said.

And sometimes, for the larger brokers, the surety business doesn't generate enough revenue for the broker to spend the needed time to develop the business. Rosenberg and his firm manage the surety programs of a number of tech companies without involvement in the overall insurance program of the client.



President
Rosenberg & Parker
Bala Cynwyd, Pa.

“SURETY COMPANIES DON’T UNDERSTAND TECHNOLOGY COMPANIES AND THEY HAVE GREAT DIFFICULTY WRITING BONDS FOR THE TECHNOLOGY SECTOR.”

Making the Cut: What It Took to Appear on These Pages

The Power Broker project began more than eight months ago when the brokerage community was in a state of turmoil. The largest firms had entered into agreements with law enforcement and regulatory officials about paying restitution on contingent commissions—undisclosed fees paid to insurance companies for placing their clients' insurance.

The largest firm, Marsh & McLennan, had a new chief executive officer and cut back its workforce by more than 3,000 employees. Aon and Willis, along with Marsh, announced they would no longer accept or pay contingent fees and pledged a new policy of transparency based on disclosure of all fees to clients.

Meanwhile, risk managers questioned what had been long-term relationships with their brokers, usually built on strong, trusting partnerships with particular individual brokers. Management put pressure on risk executives and commercial insurance buyers, sometimes because of the scandals and sometimes because of pressure under Sarbanes-Oxley, to examine their existing deals with brokers. The result was that client-broker relationships began to change. Now most major accounts use two or three brokers, often splitting up the account depending on the kind of risk. For example, one brokerage firm may handle liability while another may be responsible for environmental risk. In the past, the same broker would likely have handled both risks. This allowed clients to hedge their bets. It also opened the door for some of the smaller broker firms to better compete for business with some of the industry's largest clients.

THE POWER BROKERS

In this environment, we decided to look at the individual brokers and to try to assemble teams of star brokers in particular industry practice groups. Initially, we talked with dozens of brokers, insurance executives and risk managers attempting to identify the key factors that would help us decide who might be considered a "Power Broker." Quickly a consensus emerged that, although insurance companies have strong relationships with most major brokers, because of the current controversy in the brokerage community it was better to leave the choice of who should be named a Power Broker to risk managers. We created panels of risk managers in 21 industry areas to judge the entries. All risk managers were given confidentiality pledges in order that they could be candid in their assessments.

Beginning last summer we solicited applications to become Power Brokers from interested brokers and their firms. By the time the fall came, we had received 403 applications. To apply, brokers had to provide at least one risk manager reference in their nomination form. Then we interviewed the references, along with the members of the risk manager panel, asking them who they thought were the best brokers in their industry.

At that point, many risk managers nominated brokers who had not submitted applications. When we received a new name, we solicited an application from those additional brokers. That added another 503 brokers to the judging process. In all, we considered more than 900 brokers for the slots available.

During the judging interview, risk managers were asked to base their opinions on three factors: the broker's knowledge in the client's particular industry, the broker's creativity in finding solutions to difficult risk-related problems and the broker's record on client service. The brokers were rated on a scale from one through 10 on those factors.

The results were totaled, and then we interviewed those brokers who were designated for the articles that appear here.

Certainly, the results of the polling are subjective. The methods applied can scarcely be considered scientific. But it's a start. Consider the difficulty in trying to parse through hundreds of brokers without the help of data, supplied either by the government or by the brokerage houses. While the track record of a stock provides the benchmark against which to judge equity analysts, there's no such benchmark for brokers in the commercial insurance industry.

Still, a cursory glance at the listings is enough to show that there's plenty of talent beyond Marsh, Aon and Willis, the big three with the lion's share of the broker market.

We plan to continue the project and to publish more industry practice areas next year. The results from this project will also be available on our Web site, www.riskandinsurance.com, where readers, risk managers and brokers will be able to continue to nominate brokers for next year's listings.

We want to thank all the risk managers—more than 240 helped us out—in addition to contributing editors and writers Mindy Toran, Tom Slattery, Mike Fitzpatrick, Susan Gurevitz, Gregory Morris and Patricia Vowinkel who helped with the research. Associate Editors Matthew Brodsky and Michelle Kerr also helped with the research and writing.

—Jack Roberts, editor-in-chief