

Want to fire your insurance agent?

Bankrate

Is it time to fire your insurance agent or broker?

“If they’re not serving you, helping you and giving you good guidance, you should break up with them,” says Amy Bach, executive director of United Policyholders, a San Francisco-based insurance consumer advocacy group.

But while breaking up is not hard to do, it’s fraught with technicalities that could:

Narrow your options.

Ding your credit rating.

Needlessly interrupt your coverage.

Leave you stuck paying commission to an ex-agent who won’t take “Go!” for an answer.

“So many policyholders get upset about being non-renewed by their auto or insurance company and don’t realize they are well within their rights to non-renew their insurance company,” says Michael Barry, spokesman for the Insurance Information Institute trade group.

Unfortunately, leaving can sometimes prove uncomfortable.

“In a lot of towns in the United States, the agent is somebody you know personally,” Barry says. “Maybe you coach Little League with them.”

Knowing the roles

To avoid missteps, it’s important to understand your insurance relationships, the difference between agents and brokers, and the potential potholes involved in switching partners.

“Ultimately, the insurance contract is between the customer and the insurance company, regardless of how it was sold,” explains Tim Barnes, a chartered life underwriter who also sells health and long-term care insurance in Houston.

If you obtained your policy through a broker, you paid a fee.

“It’s illegal for them to receive a commission from the insurance company,” Barnes explains. “They’re required by law to look after your interests.”

But if you bought your coverage through an agent, he or she was compensated by the insurer.

A captive agent works exclusively for one insurance brand and may be compensated with a salary and/or

commission.

An independent agent sells policies through many insurers on a commission basis only.

“In either case, an agent’s loyalty tends to be to the insurer,” says Barnes.

Where things can get tricky

While breaking up with a broker is relatively easy, there can be expensive strings attached.

“It’s just a matter of saying, ‘I don’t want you’ and nullifying the contract,” says Barnes. “Unfortunately, many brokers work by written contract, so the client may be on the hook to pay the broker’s fee through the contract term unless the broker has violated the contract.”

Similarly, changing from one captive agent to another should be a breeze, according to Bach. If you don’t have another agent in mind, however, you may be stuck with the one your insurer assigns to you.

“The agent that you’re dropping and the one that you’re switching to will each get prorated commissions; you’re simply changing your agent of record,” she says. “But switching to another insurance company or to an independent agent would involve changing the contract, and thus more paperwork.”

An agent may not want to let go

Barnes says most states require policyholders to file a “change of agent of record” form to switch agents. But there’s one big catch: Some insurance companies have what’s called “vesting” in their contracts that gives agents the right to refuse your request to send them packing.

“Sometimes the insurance company’s hands are tied,” says Barnes. “At that point, if you want to change your insurance agent, your only choice would be to change your insurance company.”

Barnes says the best approach is to be upfront about wanting to leave.

“Most reputable agents want to do what’s in the best interest of a client,” he says. “If you attempt to make an amicable change, you might avoid running into the problem of vesting. If the agent is not willing to satisfy their client, then the customer can appeal to the insurance company to change their agent of record.”

Don’t just walk away

It’s also important to never cancel a policy without sufficient notice or to simply cease paying premiums, as these moves could adversely affect your credit score and void your insurance.

Also bear in mind that if your current policy contains what’s called a “short-rate cancellation fee,” you could owe your insurer some setup costs if you cancel your policy midterm.

Barry says a reasonable alternative to all this might be to put yourself in your agent’s shoes and allow a cooling-off period before giving that person the boot. The insurance agent may have no idea that you’re unhappy and may not even be the real source of your discontent.

“When do agents hear from policyholders?” he asks. “When there’s an accident, their premium went up,

they're filing a claim or they've filed a claim and they're not happy with the way it's being processed.”