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A Head for Insurance. A Heart for Nonprofits.

Nonprofit Insurance Explained: The Difference Between an Insurance Carrier and an Insurance Broker

For those of us who work in or around insurance, the difference between an insurance broker and an insurance carrier is quite clear. However, for many nonprofits tasked with finding and maintaining insurance coverage, the process can seem quite daunting. Let's face it — you may not have even been aware until this exact moment that there's a difference between an insurance broker and a carrier. If this rings true and you need some assistance making sense of all of this information, look no further! Below is an explanation of both a broker and a carrier, as well as the relationship between the two in regards to your nonprofit's insurance coverage.

What is an Insurance Broker?

A broker is someone who buys and sells products or assets on behalf of another. Therefore, an insurance broker is someone who acts on behalf of a client, called an insured, to provide them with guidance on what insurance coverage they need and to then assist them in buying that coverage from an insurance carrier. The broker is someone who specializes in insurance and risk management, whose role it is to help their insured nonprofit put together an insurance program of one or more policies that serve to mitigate the financial loss of claims. Essentially, they act as a consultant to the insured.

Because an insurance broker is third-party, they receive a commission for their services. The broker's compensation is typically provided by the insurance carrier as a percentage of the policy premium. The broker may also charge a flat fee for their services, but the nonprofit should be informed of what additional services they will receive before agreeing to such a fee. Most nonprofit brokers do not charge additional service fees.

What is an Insurance Carrier?

An insurance carrier, also called an insurance provider or an insurance company, is the financial resource behind the coverage provided in an insurance policy. It is the issuer of the policy and the one who charges the premium and pays for losses and claims covered under the policy. In return for charging a certain premium, the insurance company promises to pay the insured for certain financial losses due to various covered claims' scenarios. Some insurance carriers also provide loss control services to help nonprofits avoid claims. Nevertheless, the distinct difference between a broker and an insurance carrier is that the insurance company bears the financial risk while the broker provides advice.

What is the Group?

The Nonprofits Insurance Alliance Group is an example of an insurance carrier. We financially protect our member-insureds against losses and pay claims when losses occur. We are a 501(c)(3) cooperative insurer, owned and governed by the nonprofits we insure, but we work through brokers to market our policies. We do this because we believe that nonprofits benefit from the expertise of a broker who works for them to make sure they have the right coverage for their risks.

What Does That Mean for Your Nonprofit?

Because we require that our nonprofit members work with a broker, and because nonprofit insurance is such a specific niche of the marketplace, we provide broker referrals to nonprofits for brokers that specialize in working with nonprofits. While brokers who don't specialize in nonprofits

can still provide great service, they need to understand the special risks faced by nonprofits and the insurance coverage nuances available from specialty insurance carriers. If a broker doesn't typically work with nonprofits, they may not be familiar with the variety of options available.

If your nonprofit is already working with a broker, be sure they understand your nonprofit's mission, as well as how accidents and injuries might happen in the course of your mission. Also make sure the broker is recommending the best insurance program to cover your nonprofit's needs, and not the insurance program which will pay them the largest commission. It never hurts to ask a broker about the commission to determine if that is influencing their recommendation in any way, as some carriers offer much higher commission than others. We do not offer the highest commission in the marketplace, so when brokers place business with us, you can be sure that getting the highest commission was not their first priority!

Once the nonprofit has been in contact with a broker and agree on what kind of insurance program is most appropriate, the broker will approach one or more insurance carriers, such as the Nonprofits Insurance Alliance Group, to get the insurance policies. From there, it is the broker's job to service the administration of the policy. This includes assisting the nonprofit in making any necessary changes and obtaining any information needed by the nonprofit in regards to their policy.

Conclusion

While an insurance carrier and an insurance broker are two separate entities with two separate roles, the two go hand-in-hand helping nonprofits establish and maintain insurance coverage. For nonprofits seeking an insurance policy, it's essential to work with a broker and a carrier that know and understand the unique needs of the sector. With this, nonprofits can continue with their missions, without having to stress out about potential or unknown risks derailing operations.

If your nonprofit is not a member of the Nonprofits Insurance Alliance Group and you'd like to learn more about joining our community, please check out our [list of coverages](#), as well as the [benefits of membership](#)!