



The Agent's Role and Compensation in the Trust

The League of Minnesota Cities Insurance Trust is a cooperative self-insurance pool of cities and related entities (referred to as members) and is not an insurance company by traditional standards. The Trust's property/casualty and workers' compensation programs are designed to operate through a local insurance agent.

Key points of the agent relationship

Following are key points related to the insurance agent's role and compensation in the Trust:

- As a condition of participating in the property/casualty program, members must have an insurance agent. Members have the option not to use the services of an agent for the workers' compensation program, although most do.
- Members can select whichever licensed agent they want. The selection of the agent is completely up to the member, and any licensed agent in the state of Minnesota can participate.
- The agent's role with the Trust is different than it is for commercial carriers. From the standpoint of the Trust, the agent's role is that of an adviser and service provider to the member rather than as a salesperson for the Trust.
- The agent's fee or commission is negotiable between the member and the agent. The member and agent can negotiate any commission or flat-fee arrangement that works best for the relationship.
- The services an agent provides are negotiable between the member and the agent. The level and types of services that members ask and expect their agent to provide vary. It's important everyone understands and agrees on what duties and responsibilities the agent will complete, and the compensation the agent receives for those services.

Agent selection

Members can select any licensed agent they want. If the member thinks about changing agents, the Trust recommends the process begin well in advance of the member's coverage renewal date. This will make sure the new agent selection is settled before work begins on the renewal.

Some members prefer a request-for-proposal (RFP) process when selecting an agent. Upon request, the Trust can provide copies of RFPs used by other members.

The Trust encourages members to think about not only the fee or commission amount, but also the extent of services provided, and the level of experience when making an agent selection.

Agent formalization

The Trust recommends the member's city council or other governing body select and define the agent's duties and compensation by motion or resolution. The Trust and the Minnesota Independent Insurance Agents (MIIA) have a model resolution for appointing an agent, which should be edited to reflect agreed-upon services and compensation.

[View the model resolution for appointing a city insurance agent \(doc\)](#)

Another approach is to develop a formal written contract between the member and the agent dealing with these same points. Such a contract might also address the role the agent might play in overseeing the insurance options a member might buy from sources other than the Trust, such as specialty liability coverage for a hospital or nursing home.

Agent fees and commissions

The Trust's practice is to include an allowance for a 10% agent's fee in the premium for property/casualty coverage. The Trust then pays that fee to the agent. However, the member and the agent are free to agree on a different fee, or on a different basis for compensating the agent.

If the member and agent agree on a different percentage fee, the member should tell its underwriter. The premium quote will then reflect that change. Any increase or decrease in the agent's compensation will flow through directly as a dollar-for-dollar increase or decrease in the member's premium.

Another option is for the member and agent to agree on a different compensation basis instead of the percent-of-premium approach, such as a flat once-a-year, monthly retainer fee, or hourly rate for services performed. If this arrangement is chosen, it generally works best for the member to pay the agent directly. In that case, the Trust would provide the property/casualty coverage quote on a "net of commission" basis.

The Trust's workers' compensation rates include an allowance for a 2% agent's fee. If members choose this option, the Trust reimburses the agent directly once members have paid their premium. If members choose not to use an agent for workers' compensation, if the agent's services on workers' compensation are included and compensated under a direct contract for service, or if the agent and member agree on a different fee, the Trust will adjust members' premiums accordingly.

Agent services

It's important for members and agents to occasionally discuss the agent's role so everyone understands and agrees on the agent's duties, responsibilities, and compensation. Following are services a member might ask an agent to provide.

- Advise and help in pulling together and reporting data needed for rating purposes.
- Help in managing, tracking, and making sure coverage is secured for insurable assets, such as buildings, mobile property, and cars.
- Coordinate the gathering of information in order to complete the renewal application.
- Complete or help in the completion of the renewal application.
- Advise and help in evaluating and selecting among coverage options, such as deductibles and limits.

- Review coverage documents and invoices to assure coverage has been correctly issued and billed.
 - Help on questions about coverage and premium calculations.
 - Advise on possible gaps or overlaps in coverages.
 - Help with contractual insurance requirements.
 - Help with the submittal of claims and coverage interpretation.
 - Review loss reports for correct reporting and appropriate reserves.
 - Help with safety and loss control activities.
 - Help in identifying and dealing with risk exposures.
 - Help with the property appraisal process.
 - Help in managing and securing certificates of insurance.
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