HMRC - IPT02500 - Brokers And Other Intermediaries

Brokers and other intermediaries act for the insured, insurers, or both. Their responsibilities depend on their exact role. Brokers usually act on behalf of the insured, using their knowledge of the insurance market to find the best insurance cover. Brokers may specialise in a particular type of insurance, for example motor insurance. They will sometimes assist the insured in the administrative arrangements to obtain insurance cover, and may help the insured make their claim. Brokers are particularly prevalent in the UK market and may not exist in the same numbers or form in other countries.

Often, brokers will collect payment from the insured (the gross premium), and pass an amount (the net premium) on to the insurer, retaining a commission as payment for their services. They are often given generous credit terms by insurers and there may be some delay in an insurer being paid by a broker. In practice, brokers consolidate their accounting with insurers, making or claiming a periodic settlement, which sets off money due to the insurer against money due from him to settle claims. (Brokers prepare a statement or report of all the risks insured, typically including the insured’s name, the premium basis, the amount of premium and coverage; within the insurance industry this is known as the bordereau).

Some brokers enter into separate contracts with their customers charging a separate fee. Where this happens, the broker might waive some or all of the commission that they normally receive from the insurer.

There is more about intermediaries generally in IPT05550.

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