

Group questions 'leveraging' by reinsurance brokers

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A national consumer group has asked insurance regulators to investigate the way reinsurance companies price their coverage.

Information about the pricing methods was sent to state officials in California, New York, Florida and Connecticut, by the Washington, D.C.-based National Consumers League, whose president, Linda Golodner, claims that some insurance companies have been discouraged from retaining brokers who could find them the best price.

"Frequently, insurance companies are pressured into paying millions of dollars extra for reinsurance by brokers who threaten to withhold primary coverage," she said.

She said the process involves a broker suggesting a price for reinsurance that is higher than normal. The insurer thinks that it will receive additional primary business from the broker in exchange for paying the high price on reinsurance. □