

# smallbizadvisor

## The secrets of building client trust

Written by Alex Gillis on Tuesday, April 2nd, 2013 at 11:45 am

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Donald Chu has coached many advisors who help their clients with group insurance plan selection, so when he witnessed one advisor get angry at a client over a group insurance renewal, he knew the advisor was in trouble.

Chu is an experienced advisor and is now owner and principal of BenefitDeck Consulting Ltd., licensed in BC, Alberta and Ontario. The company is both a health insurance brokerage and consultancy, providing advisory services to business owners.

He believes small business owners have a lot to learn about advisors and how the group insurance business works—and advisors should do more to help them learn.

### Teaching, not tempers

“The client wanted to switch carriers to save money, and the angry advisor knew this was only a bandaid solution,” Chu says. “Rates would eventually go up for the client, because the increases were due to higher claims and were justifiable.” But the advisor sent an angry email to the client, resulting in the client leaving and signing up with another advisor and insurer altogether.

### Read: [6 things to know about switching carriers](#)

“The advisor should have remained professional, explained more, and offered more facts that the client may not have known,” Chu says. “Shopping for a carrier every year isn’t a solution to rising costs, but maybe the client didn’t know that major insurance companies keep a list of clients who shops for quote. They’ll know if that client re-quotes a year later. They know if companies keep switching every year.” Chu draws from his experience of working on the “inside” for eight years, as a regional manager for a major insurance company.

### Read: [Move carriers for solutions, not savings](#)

### Don’t blame the client

While acknowledging that some small-business owners are short-sighted, he thinks that advisors could also do more to educate themselves.

When giving advice to owners who are shopping around for advisors and/or insurance companies, Chu offers them a list of questions to ask potential advisors to ensure they are up to speed with the changes in the group insurance field.

“For example, if a carrier rolls out a new ‘mandatory generic drug plan,’ I’ll suggest the client to ask the advisor about it, to ensure that they are current with the knowledge,” Chu says.

Ensuring your knowledge is up to date may land you new clients faster and it will also help you keep existing clients educated—which can protect you against other advisors who try to steal your clients by trying to appear more in the know than you.

### Read: [Investing in knowledge pays](#)

### Go full monty on commissions

Chu says he's amazed that owners don't find out more about an advisor's expertise—and how much commission those advisors charge. "The days of full disclosure are near," he says. Advisor compensation and bonuses are built into the insurance premium, but they should be transparent, he says. He tells clients to ask about compensation and how it affects the insurers' break-even ratio and future renewals. "Less than 20% of advisors practise full disclosure," he says. His own policy is to tell client what the commissions are and what the clients can expect in terms of service.

"A colleague discovered that one advisor was charging 15% commission on a \$1.5-million premium at a company that had grown large," Chu says. "The owners couldn't believe it and immediately replaced the advisor, because the advisor wasn't providing much service or expertise to them anyway—for \$225,000 in annual commission."

Relationships are built on experience and hard work, he adds. "[The advisor-client relationship] takes a lot of trust, and it takes time to earn that trust," he says. Knowledge, disclosure and transparency are key elements advisors can use to build stronger trust with their new and existing clients.

**Read: [Advisor Q&A: Should advisors be fee-for-service only?](#)**

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