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Wholesale Broker

Definition

A type of insurance broker who acts as an intermediary between a retail broker and an insurer, while having no contact with the insured. Wholesale agents place business brought to them by retail agents. Unlike a retail broker, wholesale brokers have direct contact with the insurer, whereas the retail agent who produced the business does not. The same broker can function as a retailer or wholesaler, depending on the specific situation.

Wholesale brokers often possess specialized expertise in a particular line of coverage or in a line of coverage that is unusual and/or have greater access to or influence with certain insurance markets, which is especially valuable when dealing with a difficult-to-place risk.

There are two types of wholesale brokers: managing general agents and surplus lines brokers. The latter work with the retail agent and the insurer to obtain coverage for the insured; but unlike a managing general agent, a surplus lines broker does not have binding authority from the insurer.

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Related Terms

Managing General Agent (MGA)

A specialized type of insurance agent/broker that, unlike traditional agents/brokers, is vested with underwriting authority from an insurer. Accordingly, MGAs perform certain functions ordinarily handled only by insurers,...

Retail Agent

An insurance agent who acts as an intermediary between an insured and the marketplace. In some instances, retail agents deal directly with an insurer in arranging coverage,...

Wholesale Agent

An insurance agent who deals with retail agents and not directly with individual insureds. The wholesale agent serves as an intermediary between the retail agent...

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