

Brokering A Change

New strategies and products are helping benefit brokers stay competitive.

by Bonnie Brewer Cavanaugh

Today's benefit broker is dealing with an increasingly complex world.

Under pressure from regulatory and legislative entities, increased competition, and clients whose employees are becoming part of the benefits process, benefit brokers across the country are being challenged to redefine their procedures.

Tsar Fedorsky/Getty Images for Best's Review

Key Points

- The benefit brokerage business has become increasingly complex over the past several years, partly due to legislative and regulatory changes.
- More benefit brokers now are pursuing high-net-worth clients and niche products to complement their business and commissions.
- Benefits are being viewed more highly as a strategic tool by employers for attraction and retention efforts.

VALUABLE PARTNER: With competition among benefit brokers on the rise, Sam Fleet, CEO of AmWINS Group Benefits in Rhode Island, tells his broker clients to forgo the 'herd instinct' and to differentiate themselves from the pack with niche products, like retiree medical benefits, which can lead to better commissions and decreased competitive pressure.

That's why they should focus on differentiation, said Sam Fleet, chief executive officer of AmWINS Group Benefits (formerly NEBCO), one of the nation's largest insurance wholesalers working in property/casualty, group writing and benefits. AmWINS has been advising benefit brokers on client issues for the past dozen years.

Fleet tells his clients, "Set yourself up as a problem solver, and that will set you up as a differentiation. You can't have a herd instinct. If you want to make better money and not have competitive pressure, this is what you do."

Back in the summer of 2000, Fleet spoke with a client who wanted to sell his entire book of business. "I said, 'I can't buy your business because I'd be competing with my clients, but try something new—try soliciting retiree medical benefits. Give it nine months to a year,'" Fleet recalled. "This one broker went from making \$40,000 a year to four years later making \$75,000 a month. He changed his business profile."



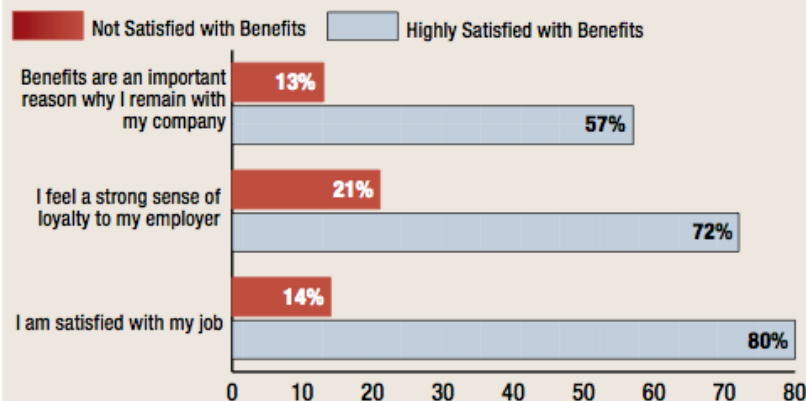
"During the past two years, Willis has focused on cities where clearly there's a healthy high-net-worth population, and the need exists for our services."

—Sandra Bravo,
Willis North America

"Not only is he prospecting retiree medical insurance, he's got all that other business from all those companies," Fleet said. "He solves major problems for the employer and becomes a valuable partner in the process."

"All of us obviously are trying to differentiate ourselves," said Rick Elliott, vice chairman of global employee benefits for Willis Group's Employee Benefits Practice. "The phrase we use is Glocal Community: a global firm with local resources. We provide local hands-on, day-to-day customer services but are supported by the deep bench and resources of a global firm."

Employee Benefits Satisfaction



Source: The 5th Annual MetLife Study of Employee Trends

Willis tends to work with clients with limited human resources staffs, providing a full range of employee communication, education, wellness data, analytics, health-care cost analysis, and legal and regulatory compliance, Elliott said. "We include those things, typically wrapped into a single offering."

Willis' global footprint also sets it apart from other benefit brokers.

Some major issues facing benefit brokers are retiree benefits, prescription drugs, integrated health-care management and limited medical plans, he said. AmWINS is focusing on limited medical plans, group liability for government agencies and international medical insurance.

"When you're out market-prospecting with niche products, you're solving problems for your clients; you're bringing in solutions. All of a sudden you become a valuable partner," Fleet said.

Globally, the complexity of the benefits brokerage business has increased over the past five years, according to Joe Gray, a managing partner with Longfellow Benefits LLC of Boston.

"From a legislative basis, certain things that have been developed and passed as law, such as HSA, which is health savings account, and HRA, health reimbursement arrangement, have changed our business in the sense of how we now have to design, implement and service our core employee benefit programs," Gray said.

"Another thing that has changed our business is the complexity: the post-Enron 409A regulations and the Pension Protection Act of 2006, which changed the landscape for Qualified Retirement Plans," Gray said. "Here in Massachusetts, the groundbreaking Health Care Reform Plan is a complex legislation in

Most Important Benefit Objectives for Employers

By offering benefits, employers say they address these needs.



Source: The 5th Annual MetLife Study of Employee Trends

terms of the delivery and structure of health care."

The legislation was designed to provide coverage for the uninsured of Massachusetts. Its structure is tied to both employer and individual mandates.

For most benefits brokers, what once was a straightforward service model has become complicated.

"Now employees are forced to be more engaged in the health-care program they get from employers. They have to understand all of the options and contribution requirements attached to each particular option," Gray said. "Communication and education have taken far more significant roles in our business."

Willis Group's Elliott said companies have moved from a world of "entitlement" to a world of "engagement." Willis Group is the nation's third-largest broker, according to A.M. Best Co.'s list of Top Global Insurance Brokers.

"The biggest shift we've seen in the marketplace over the last two to three years is clearly the demand from clients to understand the value that their broker or consultant provides, and then wanting transparency around what that costs," Elliott said. "I've been in this business 26 years now, and one thing I can say about the benefit business is it's very fluid. ... At this point the changes are much more dramatic

and significant than anything I've seen in recent years. Our clients ask more questions about what we do and what we charge."

Fleet feels that changing legislation and regulation also have created inroads for benefit producers.

For instance, GASB 45, an August 2004 letter ruling from the Governmental Accounting Standards Board, requires government agencies to report not only current group liability, but future liability as well.

Yet it also creates "a lot of opportunity for brokers to talk to government agencies about helping with their retiree benefit issue," Fleet said.


Workplace Retention

Benefits today are being presented for employee attraction and retention, workplace balance and productivity, said Randy Stram, MetLife vice president, Employee Benefits Sales. MetLife's 2007 Employee Benefits Benchmarking Report revealed for the first time that "retaining employees" outranked "controlling costs" as the top benefits objective of employers nationwide.

The report was based on interviews with 1,500 benefit decision-makers and 1,200 full-time employees

CIC: The Education of Champions

For generations, the CERTIFIED INSURANCE COUNSELORS PROGRAM has been training winners.




Research shows that:

- CICs earn 26% more than non-CICs
- CICs increase an agency's bottom line: when more than 25% in an agency hold the CIC designation, they generate 17% more profit than similar-sized agencies

Let CIC bring out the champion in you. Register for a program in your area today.

www.TheNationalAlliance.com
800-633-2165



THE NATIONAL ALLIANCE
for Insurance Education & Research

©2007 The National Alliance for Insurance Education & Research

Agent/Broker

across all industries, locations, sizes and segments.

"What we're seeing is that employers and, in turn, their benefit advisers are starting to look at benefits as strategic tools more so than they had in years past," Stram said. "We're clearly seeing that employers believe the competition for talented employees is continuing to be fierce."

According to the report, seven of 10 employees nationwide cite benefits as a factor in choosing an employer.

OnlineBenefits Inc. of Uniondale, N.Y., which provides technology services to more than 500 leading brokerage and consulting firms, has seen brokers try to win business by providing employee benefit por-

vides," Bravo said.

"We have seen very substantial growth for Willis in that arena," she said. "It's interesting that within the last six or seven years AIG has gotten involved with private clients. For many years, Chubb was the leader. A number of underwriters have expanded into that area too, which is very good for consumers because it gives them choices."

Insurance folks are thinking about high-net-worth individuals and their needs more than they used to, Bravo said. "I think it's necessary because you used to have to write a lot of separate policies for some of these things, and now you can offer a package."

Some insurance companies that cater to high-net-worth clients are



"What we're seeing is that employers and, in turn, their benefit advisers are starting to look at benefits as strategic tools more so than they had in years past."

—Randy Stram,
MetLife

tals—at no extra charge—with their brokerage services, said Chief Marketing Officer Andrew Ceccon.

"In an attempt to stay ahead of the consumer-driven health trend, they are becoming more proactive in offering online tools to promote consumerism, most commonly health-education sources and health-risk assessments," Ceccon said.

Sandra Bravo, executive vice president and Private Client Group leader for Willis North America, came to Willis two-and-a-half years ago to help build the company's private client practice. While Willis has had a personal insurance capacity for many years, during the past two years it has been establishing that capacity in such key cities as New York; Washington, D.C.; Palm Beach, Fla.; Chicago; Dallas; and San Francisco—"Cities where clearly there's a healthy high-net-worth population, and the need exists for our ser-

introducing a suite of services that enhance their programs, offering things such as medical evacuation for foreign travel, she said.

"We're looking at, in layman's terms, an IRA rollover division or a personal money management division," Longfellow's Gray said. The company is seeing outflows of money that are under-managed in terms of people retiring and in transition who are pulling money out of qualified plans, he added.

"We think it's critical to have a structure in place to guide them in the individual marketing of those plans," he said. "That's the whole reason why we're investing in high-net-worth individuals. We're refining our business model to serve that segment. It can be very lucrative."

Unlike "very" wealthy clients who have private bankers, advisers and attorneys on call, Bravo explained, "wealthy clients have needs that aren't addressed. There are probably

Learn More

BEST

Metropolitan Life Insurance Company

A.M. Best Company # 06704

Distribution: Approximately 12,000 full-time agents and advisers.

For ratings and other financial strength information about this company, visit www.ambest.com.

a couple of million people in that segment that require enhanced services. I think there's a big opportunity for our industry to address that."

Underlying the findings of MetLife's report is the realization that there is no longer a single approach to benefits, Stram said. "Ten to 15 years ago, the benefit programs were much simpler than they are today. They're becoming less simple because employers have different benefit objectives," he said.

"Something else we're seeing employers do differently—and where benefit advisers can help—is the one-size-fits-all no longer works at the employer or employee level," Stram said. "We're finding a targeted benefit communication approach that highlights those needs that are more relevant based on life stages, can significantly increase the perceived value of a benefit program."

Longfellow is pursuing the creation of a business unit within its qualified plan business section to counsel its clients on the rollout of that qualified plan.

"As money under management goes out of your qualified plan, it affects your revenue," Gray said. "If you can transition those monies into some private clients or money management practices, you maintain control of those monies and service relationships you have with your clients, and potentially grow your revenues."

Elliott concurred. "We have a very focused energy on introducing our clients to our other lines of business," he said. "So we've just renewed our focus on cross-selling our P/C clients and introducing them to our benefits professionals, and vice versa, so we can make our clients know all that we do." BR