



Top 10 Mistakes Employers Make when Buying Insurance in Employee Benefit Plans

Texas Seed Trade Association

James E. Bushnell, CLU, CEBS

February 8, 2010


Bushnell & Company
Employee Benefit Consultants

www.BushnellCompany.com

© Bushnell & Company – All Rights Reserved

Who is here today?



- 42 Companies here – 110 attendees
- All are Colts and/or Saints fans.
- Size of company
 - Less than 10 EEs (incl. owners)
 - 11 – 20 EEs
 - 20 – 35 EEs
 - 35 + EEs

© Bushnell & Company – All Rights Reserved

Issues & Concerns

B

- Organizations are **overwhelmed** with the rising cost of Medical insurance.
- **Frustrated** by lack of employee appreciation as to cost of plans.
- **Worried** if the retirement plan going to provide adequate replacement income ratios.
- **Bewildered** and **frustrated** with the old "one size fits all" approach.

© Bushnell & Company – All Rights Reserved

Employer's Goals

B

We have found that organizations like yours, typically want to:

- Provide **high quality, comprehensive, meaningful, cost effective**, and **administratively efficient** employee benefit plans that **specifically meet your organization's goals, objectives, and philosophies** regarding the components and the amount of your employee's **HIDDEN PAYCHECK**.
- **Do you agree?**

© Bushnell & Company – All Rights Reserved

1: No Mission Statement

Mission of Employee Benefit Plans is not defined and/or not aligned with Company's Mission Statement or Values:

- Attract employees if growing or replacing
- Retain employees & intellectual capital to reduce turnover expense
- Motivate employees to contribute to growing profits
- Meet competition in town
- Other ER motivation – Tax, Social, family, etc.

© Bushnell & Company – All Rights Reserved

#2: Bid to All at Renewal

- Due diligence justification
- Speak to 4-5 agents + incumbent that they know or heard from in the last 6 months.
- Renewal in 30 – 45 days if lucky (10-15 days is more likely – organized chaos).
- Think about after get renewal #s from existing carrier – sticker shock
- **Competition will bring down costs!**
- **Get ready for the siege of the insurance agents!!!**

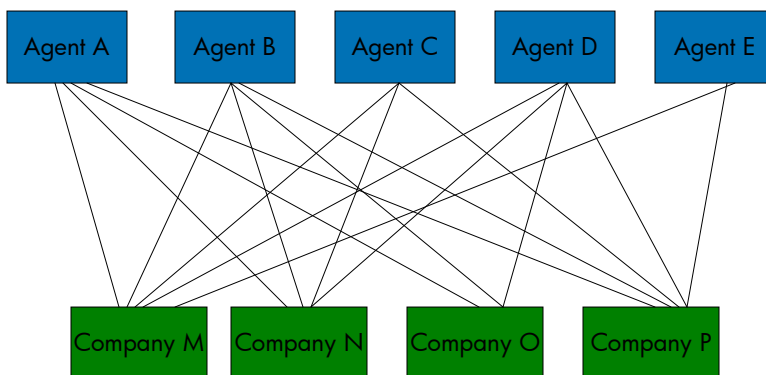
© Bushnell & Company – All Rights Reserved

Biggest Mistake in Bidding *B*

- No allocation of insurance markets
- Underwriter gets an RFP from 5 agents
 - Maybe different plan designs - deductibles
 - All are fully insured
 - **Lots of work to prepare proposals**
 - **Other prospects to choose from**
 - **What's the chance of getting the business???**
 - **Spreadsheet proposal???**
 - **Surcharge 25% aggravation fee & then negotiate at final look!!!!**
- No one agent controls the process

© Bushnell & Company – All Rights Reserved

Picture of What Happens *B*



= 15 Proposals of What??

© Bushnell & Company – All Rights Reserved

Change Paradigm ...



- Hire agent / broker first
- If over 35 EEs – maybe hire consultant for 2nd opinion or general guidance
- Hire agent to go to markets for you
- Agent is going to get paid regardless
 - \$8,000 x 20 EEs = \$160,000
 - Commission is \$9,600 medical alone – 6%
 - Other products higher – 10 to 15% for Voluntary
 - Look at ER & EE contribution
 - Rule of Thumb 12% of total premiums

© Bushnell & Company – All Rights Reserved

How to hire an Agent



- **They do not represent you!!!**
- No such thing as Buyers Reps
- Go into Partner arrangement knowing the rules!!!
- Agent's contract is with insurance company
- Broker has agent contracts with several companies
- They can get appointed to more companies
 - Not a few limited appointments like P&C

© Bushnell & Company – All Rights Reserved

3: Hiring – The Basics

B

- Captive agent – (e.g. Liberty Mutual)
- Independent agent – Big I
- How many companies do they actively represent?
- How long company been in business?
- How long have they been in business & with current firm?
 - **No job for rookie – to much risk exposure!!!!**
- Is person licensed?
 - Check www.tdi.state.tx.us
- Hours of operation & your needs.

© Bushnell & Company – All Rights Reserved

4: Hiring – The Basics

B

- Agent's professional training & credentials
 - Certified Employee Benefit Specialist (CEBS) is gold standard for benefits expert
 - Chartered Life Underwriter (CLU) is a life and health insurance expert
 - Registered Employee Benefit Consultant (REBC) is OK
 - Registered Health Underwriter (RHU) is limited
 - Certified Insurance Counselor (CIC) is limited / weak
- Trade associations memberships
 - NAHU and agent selection
- If none – watch out.
- Bunch of letters after name means nothing
 - Golf, sunburn & hang over from weekend educational conference.

© Bushnell & Company – All Rights Reserved

5: Hiring – The Basics



- Get references
 - Other companies about your same size
 - NOTE: Industry is not important in employee benefits
 - Friends in your industry
 - Rotary or other civic organization
 - Church, etc.
- How did you learn about the agent / broker
- This is an important step
- Call them.

© Bushnell & Company – All Rights Reserved

6: Hiring - Intermediate



- Your company's size and size of agent's firm
 - Ability to service multi-location or multi-state firm
- Full service agency
 - All lines including P&C – one person does it all
 - Employee benefits only
 - Separate employee benefits department
- Involvement in the community
- Your gut – trust it!
 - Even if agent is a relative!

© Bushnell & Company – All Rights Reserved

7: Hiring - Advanced

B

- Quality of questions agent asked
 - Your business
 - Benefits philosophy
- Listening skills
- Role of the agent vs. insurance company
 - Claims; COBRA; FSA
- Inquire about their errors and omissions coverage. Request proof of coverage.

© Bushnell & Company – All Rights Reserved

8: Hiring - Advanced

B

- Sales & marketing involvement
 - Who does the design work
 - Can't ask for unlimited plan design quotes
 - How involved are you in the process
 - Who markets you to insurance carriers
- Companies they represent
 - Financial ratings of those companies
- Who analyses quotes received & prepares the comparison spreadsheet?
- Who delivers the quotes received and explain them to you?

© Bushnell & Company – All Rights Reserved

9: Hiring - Advanced

B

- Post-sales service
 - Meet who will handle your account
 - How many other employees can manage \$100,000s with no questions asked?
 - Drill down & find out about them
 - Receptionist & just take messages or actual administrative Involvement
- Claims administration
 - Generally exceptions only – not day to day
 - How track & administer exceptions

© Bushnell & Company – All Rights Reserved

10: Hiring – Final Steps

B

- How often will your plans be rebid
 - Not more often than every 2 years.
 - Every year to much
 - Cost you money to change
 - Communication effort with EEs
 - Down time for re-enrollment
 - Employee anxiety
 - Change of physicians
 - Negative ratings by Underwriters (Jumpers)
- Electronic interface for ER & EEs
- Just do it!

© Bushnell & Company – All Rights Reserved

Additional Resources



- Choosing an Agent or Broker
- Example of a top quality firm.

© Bushnell & Company – All Rights Reserved

Thank You



- Questions?
- Contact us:
JimBushnell@BushnellCompany.com

© Bushnell & Company – All Rights Reserved