

Knowledge gap: Employers need more, but brokers cannot always provide

Karen Lee

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In an increasingly expensive and demanding benefits world, employers need more from their brokers than the lowest price available on insurance.

What employers require depends on their individual situations. But they have to know just what it is they need and make sure their brokers, advisers and consultants get it for them.

That may be more difficult than benefits managers realize. Employers usually do not know the ins and outs of policies or the best ones on the market, which is why they rely on brokers. Even then, though, that is not necessarily a guarantee of quality aid.

The reason, according to brokers, employers and other experts, is that advisers are not as well versed in the nuances of insurance as they used to be. Most insurance companies have dismantled the education programs they once provided to their new agents.

"A lot of the big carriers had big training programs, but now, brokers lack that training," says Anita Potter, LIMRA International's research director. "The products have gotten more complex. If brokers just dabble [in certain products], they're not up to speed."

Problem may worsen

This is particularly true of disability insurance, where there are almost as many different types of benefits, limitations and restrictions as there are customers. However, some state legislatures are considering proposals to issue term life-only insurance licenses to producers, which officials at the National Association of Insurance and Financial Advisors condemn for what they feel are the lesser education requirements involved.

A number of insurance professionals believe that overall, especially as health care continues to dominate benefits decisions, knowledge of other types of insurance is beginning to suffer.

"Some brokers are great salespeople, but they don't understand what they're selling," says Roger Schultz, senior vice president of financial services at the broker firm J. Smith Lanier & Co. "It's an industry-wide problem."

And it is a problem that advisers need to get a handle on, because employers want their help with too many aspects of their benefits programs.

What employers want

Tom Atwood, director of employee benefits for natural gas provider AGL Resources Inc., believes that at least in the small group market advisers need to pinpoint the best products for

their clients' needs and the carriers who can most ably supply them. However, for a company like his, with 3,000 employees, Atwood relies on his broker for underwriting knowledge.

"When it comes down to financials, that's when a broker can add a lot of value, by letting me know if the insurer is asking for too much fat on the renewal," Atwood explains.

Avon Products' senior manager of U.S. health and welfare benefits, Michele Schneider, uses her consultant to help her benchmark and understand what the best practices are, as well as guide her in the right direction for her company.

Terry Cooper, who is director of benefits and compensation for apartment complex owners Archstone-Smith Communities, employs Marsh not only to provide her with the best prices but to educate her as well on the products and the companies so she can make an informed decision.

"I definitely want them to know the policies inside and out," Cooper remarks. "I expect them to help me through the implementation process and let me know whether the contents meet our needs."

Demand quality

Part of that knowledge comes from simply doing business long enough to pick up the right information. But most of the carrier programs that gave agents the necessary underpinning just do not exist anymore. Instead, producers have to pay for that education out of their pockets - a steep investment that many cannot afford.

Lee Kamps, a broker from Parma Heights, Ohio, recalls that when he started his career at a large insurance company, he learned on the job and received a "training salary" as he did so. In the late 1980s, however, the corporation changed its policies and new agents' salaries incumbent on their passing the state life and health and property and casualty examinations, as well as the National Association of Securities Dealers' series 6 and 63 tests. That, Kamps says, meant producers would have to spend about \$1,000 before drawing a paycheck.

Such rules still exist, and brokers are doing what they can to keep up. A number of carriers offer courses for which brokers can register, and groups such as the Association of Health Insurance Advisors partner with other organizations and companies to offer specific programs. But that does not guarantee producers are giving their clients what they need.

And employers should know what to expect from their brokers. One thing they need to demand, says Len Cavallaro, senior vice president of sales and marketing at Jefferson Pilot Financial, is a consultative process. That sounds like a given, but Cavallaro explains that he sees a number of brokers who take specifications from their clients "and try ... blindly to meet those specs rather than sitting down and talking about it.

"The consultative process is being skipped over, and brokers are doing themselves and their clients a disservice," he says. "There's a lot more to it at the employer level than product and

price. There's a whole administrative aspect."

Schultz, in fact, is planning the first of a series of workshops this month to teach HR and benefits professionals how to navigate the process and choose their brokers. The value of a good broker, he says, is measured by what services he provides and what he is paid for those services. A good broker will tell his clients exactly what sorts of commissions and fees he will get, but, Schultz continues, there are services employers should demand:

- Help in designing a benefits communication strategy for the employees.
- Technology that can eliminate the people, and therefore the human error, in the communications and enrollment process. "A good broker," Schultz says, "is a technologist."
- Assistance with the education process, since some 80% of employees rely completely on their employers for their financial security.
- Analytical tools, such as claims reports from insurers and third-party administrators, that can help employers analyze for future costs. - K.L.

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