

How to Pick a Benefits Consultant

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Healthcare insurance premiums have risen steadily, often at double-digit annual increases, since 1998. Competitive pressures are increasingly forcing businesses of all sizes to scrutinize the price they pay for products and services they buy, and to evaluate professional relationships like never before. Insurance and Human Resource services are no exception.

Many companies have experienced success in reducing costs conducting a bidding process. Under this process, multiple vendors are invited to compete and submit bids for the company's business. While competition is an essential tool in helping buyers evaluate professionals, identify new products and establish value relationships, the bidding process is not a good way to achieve optimum results for employee benefits.

Inherent weaknesses in the bid approach

Companies that rely on a bidding process seldom achieve optimum results for their efforts because the system works against them. There are a number of reasons why.

- **Pricing obtained through a bidding process may not represent the best the marketplace has to offer.**

Like most business, insurers are downsizing and looking for ways to decrease transactional costs. And, like most businesses, they are requiring their employees to do more with fewer resources. Underwriting departments are barely staffed and the workload is heavy. Underwriters who decide whether or not to write your business and if so, under which terms and at what costs, don't have time to give every account their best effort. They are forced to choose the new business opportunities they work on very carefully.

If underwriters see a particular account is being shopped throughout the insurance marketplace by multiple brokers, they feel their chances of obtaining the business are slim. Consequently, they have little motivation to give the bid their best effort.

• "Come one, come all" approach can work against the buyer.

Most employee benefit carriers have a policy to work with licensed brokers. Once census information is provided and a rate is established, each broker should receive the same quote. This practice is designed by the carrier to provide brokers with an even playing field. Unfortunately, this process does not provide any indication as to which broker will provide the substance necessary to service your account.

How can companies obtain optimum results?

In today's marketplace, the best way to ensure optimum results is to unbundle the buying process. That means separating the

broker/agent decision from the insurance company decision. This gives the buyer the opportunity to ensure it has the freedom and flexibility to choose the best possible broker and the best possible insurer for its particular needs.

Businesses should look at the selection process in two steps. The first step is choosing the broker/agent and the second is picking the appropriate benefit plan. Some buyers may have concerns that the sequential approach slows and complicates the process. In practice, it streamlines the process. By selecting a broker first, they handle much of the fact gathering, coordination and analysis that would normally fall to the employer.

Choosing the right broker

All brokers/agents are not "created equal." To help obtain the optimum results from broker competition, there should be a structured evaluation process. This helps create a level playing field and facilitates an apples-to-apples comparison of the brokers'/agents' capabilities. This gives the buyer the opportunity to focus on what the broker/agents can bring to the table and which one can best respond to the company's needs.

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What to Focus On In Broker/Agent Selection

- Knowledge of the insured's industry
- Understanding of the client's individual business
- Rapport between the account team and the client team
- Ability to communicate clearly and concisely
- Quality and depth of personnel
- Willingness to be held accountable for results
- Program design and innovation
- Scope of services provided
- Quality of service
- Knowledge of the marketplace
- Relationship with carriers
- Leverage in the marketplace
- Cost of service

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