



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

### Texas Seed Trade Association

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Employee Benefit Consultants

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## 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

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## Issues & Concerns

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- 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.

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## Employer's Goals

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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?**

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## # 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.

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## #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!!!**

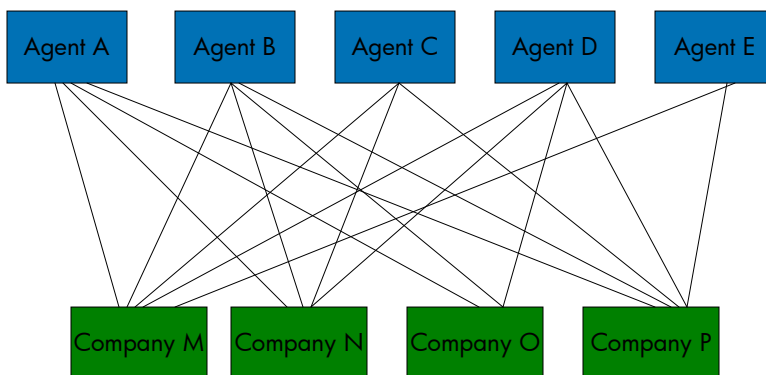
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## Biggest Mistake in Bidding *B*

- 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

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## Picture of What Happens *B*



**= 15 Proposals of What??**

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## Change Paradigm ...

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- 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

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## How to hire an Agent

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- **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

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## # 3: Hiring – The Basics

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- 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](http://www.tdi.state.tx.us)
- Hours of operation & your needs.

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## # 4: Hiring – The Basics

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- 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.

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## # 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.

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## # 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!

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## # 7: Hiring - Advanced

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- 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.

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## # 8: Hiring - Advanced

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- 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?

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## # 9: Hiring - Advanced

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- 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

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## # 10: Hiring – Final Steps

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- 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!

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## Additional Resources



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

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## Thank You



- Questions?
- Contact us:  
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