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## PRACTICE GROUP: EMPLOYEE BENEFITS

JUNE 5, 2018

### CHOOSING AN EMPLOYEE BENEFITS CONSULTANT FOR YOUR SMALL BUSINESS

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Every day, businesses look at where their strengths lie and decide which areas of expertise should be hired in house, or outsourced to a third party. The result of those decisions boils down to where their resources are best spent. This is common for attorneys, payroll professionals, accountants, and many other business roles<sup>1</sup>. For small businesses with fewer resources to spend on these highly skilled positions, this can be a particularly difficult decision. Surprisingly often, they choose to place the responsibilities of managing their employee benefit plans on the desk of an existing employee, who may have no expertise and often little to no experience. Businesses will retain outside counsel for legal issues, outsource their payroll processing, or even hire a CPA to do their taxes, but often throw their benefits (typically the second largest expense behind payroll<sup>2</sup>) on a pile with a multitude of other proverbial hats and just hope everything goes okay. This, on its own, isn't the only hurdle; part of the obstacle is employers not seeking out the very best consultant to help them design, implement, and advise on the benefit plan itself. In the Washington market, the vast majority of small group insurance products include broker commissions in their rates,

meaning that the very best consultant costs the same as the worst. In fact, paying for the best consultant costs the same as having no consultant at all. That's not the case with legal counsel, payroll services, accounting, and tax services, but it is the reality for small group benefits.

**In employee benefits, a consultant is always a broker, but not every broker is necessarily a consultant.**

Many small employers do still engage a broker for their benefits. However, an important distinction to consider is the difference between a broker and consultant. Brokers and consultants are much like rectangles and squares, respectively. In employee benefits, a consultant is always a broker, but not every broker is necessarily a consultant. A broker's role is simple: to help you buy insurance and broker the purchase of that coverage and other benefits for your staff. What's missing here is the consulting on how to best structure the program, what carriers will work best for where your employees live and work, and what will help create a competitive benefits

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program to aid in attracting and retaining top-notch employees. Since either situation will cost you the same, wouldn't you rather have all that expertise behind you for such an expensive decision? This goes without saying in larger organizations that employ experienced benefits professionals on staff, but smaller organizations need to ask the same question.

The logical question at this point is how do employers find a qualified broker/consultant that can support their organization? That's where many companies fall off track. Sometimes it's a general question of, "Who sells insurance," and sometimes they just opt for the same agent that's placed their basic business insurance or their home and auto insurance. While there are many skilled people out there, the resources and depth of expertise available in those organizations aren't always comparable to what you see from a larger firm. Unfortunately, most of the larger insurance brokerages have been pulling out of the small-group insurance marketplace. Nevertheless, there are still some, like Parker, Smith & Feek, that are very much invested in working with smaller employers.

**As an employer, you should expect your broker to provide quality communication materials to help you share details of the benefits plan you generously provide, and help ensure that your staff understands what is provided to them and how best to take advantage.**

What you receive when working with a larger, more sophisticated firm can make a noticeable difference. As an employer, you should expect your broker to

provide quality communication materials to help you share details of the benefits plan you generously provide, and help ensure that your staff understands what is provided to them and how best to take advantage. You should expect your broker to support not only the individual administering the plan day-to-day, but also your employees. A broker should be a resource that your team can leverage to navigate the sometimes-complicated world of benefits. With smaller agencies, these resources can be lacking, and that is important to understand upfront. Here are a few questions to ask any time you're vetting a broker/consultant to support your team:

- Will you assign a dedicated account manager or account team so that our staff isn't being sent to a call center when they need help?
- Will you facilitate an employee open enrollment meeting each year to communicate the benefits to our team?
- Will you provide quality materials to our team, not just photocopy the carrier's general information documents?
- Will you support us in understanding our obligations under the myriad laws to which employers and their benefits plans are subject so we can stay compliant in the ever-changing landscape of American healthcare today?
- Are there any programs in the market to which you don't have access that we might want to utilize?

Perhaps one of the biggest questions you should be sure to ask is how the person with whom you're directly working is compensated. The insurers pay commissions in some format to the broker of record (BOR) and your consultant should be able to disclose that to you. That number represents what their firm is paid. The real

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question is how the individual is compensated. What you want to understand is how the recommendations and your subsequent decisions for your program personally affect the individual with whom you're working. In some firms, like Parker, Smith & Feek, our entire staff is paid a salary, so our teams are free to align with our clients' definition of success, and risk no conflict of interest when suggesting lower cost solutions for the employer that still meet their objectives.

Finding the right benefits expertise, whether in-house or outsourced, is an important process that no business, large or small, should take lightly. Asking the right questions and seeking out an experienced benefits consultant can help improve outcomes and mitigate costs.

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## References and Resources

1. <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/operations/deloitte-nl-s&o-global-outsourcing-survey.pdf>
2. <https://www.bls.gov/news.release/pdf/ecec.pdf>