

## A Practical Example: Partnering

Time spent creating a comprehensive insurance package and taking it to a worksite could be worthwhile.

Niagara Benefits Group did just this, partnering with American International Group (AIG) to create a benefits package tailored to businesses with two to 50 employees. All five products are contained on one monthly bill to save the employer's time.

The Plan Includes:

- Health Insurance – Offers a variety of deductibles and co-payments that can help small business owners control overall premiums
- Group Term Life Insurance – Coverage amounts up to \$100,000, accidental death & dismemberment coverage, premiums waived for disability, and discounts available for many types of businesses
- Dental Insurance – Employees can use the dentist of their choice
- Voluntary Disability Insurance – Flat dollar amount of coverage, up to 40 percent of basic monthly earnings, paid by employees through payroll deductions
- Statutory Disability Insurance and Workers' Compensation – Preferred rate on disability insurance, workers' compensation premium discounts, experienced credit, managed care credit and dividends are available to eligible insureds.

Thanks to the partnership agreement, Niagara was able to serve a market that would have been beyond its reach as a stand-alone proposition.



By: John Sullivan  
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To be sure, small businesses demand worksite benefits. According to the National Federation of Independent Business (NFIB), the cost and availability of insurance was one of the main concerns of small businesses in 2003.

Dave Clark, a sales associate with Belton, Mo.-based Heritage Benefit Consultants, knows firsthand what this demand means to his book of business now that the economy is recovering. "Seventy percent of the companies we work with fit into the category of between two and 10 individuals," Clark says. "Right now in the greater Kansas City area, there are 57,000 businesses that fall into that range."

### **TAILORING THE PRESENTATION**

The small business market would seem impossible to ignore, but some brokers still shy

away from smaller businesses. Reason being, time spent servicing larger accounts is the same as smaller ones, but with a better payoff. In addition, some brokers complain that smaller companies require more work because of the additional attention they require.

Many smaller businesses lack a dedicated, full-time human resources staff, feeding the perception that they require a lot more handholding. Jim Dwyer, principal with Overland Park, Kan.-based The Resource Group LLC, agrees. "Even if they have a person doing the HR function, that person usually wears many hats."

The lack of HR resources means that many small businesses have steeper learning curves than their larger counterparts. For this reason, Dwyer says it's best to keep it simple and not overeducate. "Small businesses require simpler sales literature that should be presented in laymen's terms," he says. "We strip down our sales presentation;

we only educate on key points, but we make sure we don't hide anything."

Jim Cosares, general agent representative with Brooklyn, N.Y.-based Professional Group Plans adds, "Most brokers try to do too much education with their clients, but the client usually doesn't care. They deal with this stuff once or twice a year at most."

What small businesses usually want is a broker who represents a quality carrier that they know and who will focus on their bottom line. "They worry about the bottom line, but there is less they can do about it," says Cosares. "So it's up to the broker to help the employer effectively address his concerns."

Cosares realizes the value of a sound voluntary benefit package. Until recently, though, he was too focused on his health care line of business to effectively cross-market himself with retirement, disability, and LTC products. "Too many times in the past I'd sit with a client discussing health insurance and he'd inform me that he just implemented retirement services with another broker," Cosares says. "The client never knew that I offered those services,

so a lot of clients were falling through the cracks."

It used to be that health care benefits were the dog and retirement benefits were the tail. "Retirement benefits were seen as almost ancillary, but not anymore," says Dwyer. "With growing health care costs forcing employers to cut back, it is now more important than ever to diversity. Retirement plans are a way to do this but there is no silver bullet. A number of different products now have to be offered."

For his part, Clark is focusing more on retirement plan packages for both the employer and the employee. "We have been selling a lot of simple IRA plans," he says.

"With a simple plan, there is no administrative fee for the employer (as opposed to a 401K), which helps keep the costs down."

Clark also looks for creative solutions that his competitors might miss. For example, he

suggests that a small company with a high female employee base consider offering short-term disability insurance because the policy can be written to cover maternity leave.

### THE PRICE IS RIGHT

In 2002, the Employee Benefit Research Institute conducted a survey of small businesses insurance needs; the results were far from surprising. Small firms are trying to deal with health insurance costs by passing a larger portion on to employees. Even less surprising was that small businesses tended to

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respond to price increases by changing or dropping coverage. The survey also showed that one-third of those not offering coverage could be enticed to offer it with lower costs.

Traditionally, many small businesses have been relegated to association plans. "The small business owner is price driven," says Kevin Gannon, President of Williamsville, N.Y.-based Niagara Benefits Group, Inc.

“A lot of the small business market does not get the attention of the big houses, so that represents a significant opportunity for us. We’re able to group them in different ways to give them buying power. Because of this, we offer creative, bundled products to specifically address their needs.”

Gannon’s company designed a plan specifically for small businesses called the Total Business Package. He notes that Mass Mutual and The Principal also have plans that cater to the small business market.

Addressing the fact that small companies sometimes grow quickly, Mass Mutual’s plan offers a discounted asset charge combined with a letter of intent. For example, if a dental office hits \$250,000 in assets within 24 months, any fees charged to the dentist’s plan will be at a reduced level. If the mark is not hit, the company will bill charges based on the difference.

But Cosares notes that it isn’t always about the price, especially when it comes to healthcare insurance in regulated states. In these instances, experience is often the deciding factor. “Most insurance brokers don’t understand health

insurance,” he explains. “In New York it’s regulated by the state, so price doesn’t matter much. What matters more is my knowledge and expertise.”

### **CROSS-SELLING OPPORTUNITIES**

As Cosares noted, brokers often lose business from established customers simply because they fail to effectively cross-market themselves. “The opportunity for the small business market is in the cross sell,” he says. “Someone who is selling multiple lines of business will always be more competitive than someone selling just one line.”

Cosares believes that most brokers who target small business markets do so more for the employer’s personal insurance needs and not for the company’s benefits business. “The value for many brokers is gaining access to the owner’s life insurance needs, whether it is a buy/sell agreement, a second-to-die

policy, or other estate-planning products,” he says.

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In order to better address this area, Gannon has reviewed his product offerings and administrative services for weaknesses. “I was talking with an employee today about our services,”

he says. “I told him there are things we could be doing better; opportunities to put another bullet in the gun.”

Although cross-selling techniques, price considerations, and employer and employee education are important in gaining market share, perhaps the most important factor is personal involvement. By automating as much as possible and proactively addressing client needs, brokers can limit the time required to service small accounts, creating more time to take advantage of new opportunities in the small-business market.

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