

BEST'S REVIEW

Agent Issues

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Industry Strategies

Expansion Plans

Brokers with a solid client base of small businesses may find health a natural extension.

by Blair Farwell

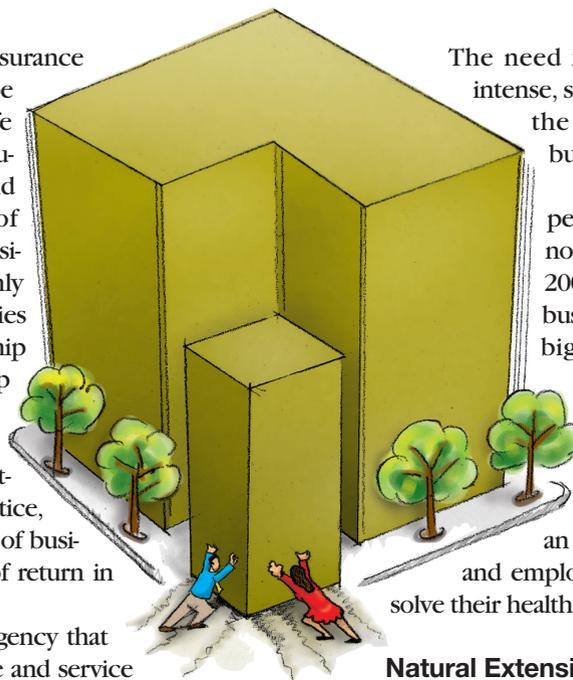
Adding health plans to an insurance agency's product lines can be a natural extension of its life and investment or property and casualty sales. While masterful sales and management of only one type of insurance can drive a profitable business, single-channel brokers not only lose out on sales in other categories but risk losing the original relationship to an agency that offers one-stop shopping for all insurance products.

By adding the health category to an already successful life and investment or property and casualty practice, brokers can tap into a primed book of business and should enjoy a high rate of return in comparison to cold calling.

The quandary is: How does an agency that prides itself on thorough knowledge and service in one type of financial product maintain its standards while adding the new product line? The ability comes from the very integrity of the original business: The existence of the original, well-served clientele allows the agency to succeed in the new service. Health insurance is a good addition for a good practice, but it is no patch for an ailing practice. Like any other type of insurance, health insurance is technical.



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The need for health insurance guidance is intense, so much so that the problem heads the list of concerns for many small businesses as well as large ones.

The National Federation of Independent Business' Small Business Economic Trends Report issued in January 2004 found that 28% of the surveyed businesses considered insurance their biggest problem, followed by taxes (18%) and weak sales (13%). Companies and their employees are wrestling with double-digit annual increases in the cost of health coverage. A well-educated broker is an indispensable adviser for executives and employees pondering affordable ways to solve their health insurance needs.

Natural Extensions

The complexity and the dynamic nature of the health-care field can be a great asset to the broker whose expertise is already proven in other insurance services. Through observation and some discussion with clients, a good agency will make a judgment about its customers' needs and the agency's own ability to answer the requirements.

Certain ancillary products tend to follow the initial major medical sale and can augment revenues between renewal dates. The trouble with selling health is sticker shock; every year a client's rates will climb. While most clients plainly see the value of dental, short-term and long-term disability coverage, extra costs while renewing medical can quickly sour a client's outlook. Inventive brokers have first earned the client's trust by expertly selecting and managing a health plan, and will then return six months later between renewal points to present the ancillary products. New calling categories arise out of an active book of business: those with major medical but no dental; those with medical but no short-term

Illustration by Karen McKinnara

disability coverage; and those with medical but no long-term disability coverage. As new products or changing legislation bring attractive options, a new roster of sales calls is born.

The same logic holds for additional products. A client trusting the agency for solutions to health insurance requirements will be ready to place the same trust in the agency's recommendations of other types of optional coverage. Even if the agency decides against expansion into ancillaries, a standard referral arrangement with a specialized broker can keep the expertise at the ready. But sticker shock and a new face are usually a bad combination. First demonstrate skillful administration and then time your proposal of surplus coverage between renewal dates.

The advantages of adding health insurance capability strengthen an agency in more ways than revenue. The new capability allows the agency to call on its clients more often than before, an activity that reaffirms relationships and increases referrals. Health insurance rates change each year and clients must consider the impact on themselves and their businesses. Clients will think of the insurance adviser as the "go-to" person able to solve a number of needs. By increasing the number of needs it can solve, the agency will realize new value from its well-served book of business. The business owner who is usually the best life insurance client is often the person who makes the benefit decisions as well. Serve the business owner well and strengthen the existing relationship; help the employees with health insurance needs and increase the opportunity for life insurance sales at the same time.

For some agencies, however, the addition of health care can bring significant disadvantages and may preclude the attempt altogether. The additional responsibility to additional lives increases risk. Lack of expertise during the first efforts can reduce customers' trust in the original insurance services as well as the health insurance guidance. Addition of the new category also comes with a significant learning curve, one that requires time, patience and good support from new providers.

Action Plan

After a thoughtful appraisal of its established business and its commitment to expansion, an agency determined to master health insurance the way it has mastered other lines can begin in these ways:

License Requirement: In most states, a broker licensed to sell life insurance and related investment vehicles is already licensed to sell health insurance, but that's not so for property and casualty. Usually, a one-day program is sufficient for passage of the licensing test, but that is just the threshold.

Gain knowledge with help from established providers: To write health insurance correctly and provide service matched to the quality of the agency's other lines requires a great deal of knowledge. The agency should form a relationship with a wholesaler whose wisdom and attentive service include a variety of products from the best carriers. In addition, wholesalers of various insurers' products should have a willingness to handle much of the sales document process once the broker has identified the customer's need

and secured the customer's request. The broker will rely on the wholesaler for recommendation of appropriate solutions and management of the insurance process; likewise, the wholesaler will rely on the broker for skillful assessment of a customer's requirements.

In practice, a broker who learns of a client's needs will relay the requirement to a wholesaler who has a comprehensive industry outlook, well-established carrier relationships, and can make a variety of insurance products and different plan designs available. At first, some of the conversation may be lengthy. A good broker wanting to provide service in a new line will require guidance and answers a veteran may not require. Knowing that the broker's first requests can bloom into a fine new health-insurance practice, an able wholesaler will make sure that the insurance products recommended come with plenty of instruction and supporting documents. The wholesaler will make sure that the broker receives information needed for good advice to a client, matching the specifics of the plan to the uniqueness of the client.

Whether the agency will immerse itself in the new line or rely on a wholesaler for much of the response to each client's requirement, the agency will need to acquire sufficient knowledge for good counsel. The services of a wholesale office often include invitations to programs of basic instruction. In addition, attend programs offered by the National Association of Health Underwriters or a local health underwriter organization. Favor programs that reflect the entire industry, not just the offerings of a single carrier. Become a member of the local organization and use its help in maintaining knowledge of the complex field.

Focus on the book of business: A solid book of business in another category will be the new health insurance salesperson's greatest asset. In order to protect the quality of the original line and ensure good service at the outset of the health insurance activity, the agency should seek out proper first customers. These are customers chosen less for revenue than for safe, good, instructive service. The agency must make its first service successful so that the expansion into a new line adds to the quality of the customer relationship. Companies smaller than the general client, companies with five to 10 insured lives constitute good first prospects. Their needs can be great, but the solutions can be simpler than those required by large groups. They provide a safe occasion for fine, first success. Relying on a wholesaler for good advice and quick service during the process, the broker will gain expertise in solving health-care insurance needs and integrating the service with other solutions provided by the agency. Such a careful beginning will help the agency gain confidence in the quality of its new service. The agency also will have a chance to assess the effect of the additional activity on the agency's established practice.

The agency's experience is likely to be a very good one. The results from calling on existing clients needing a new service will far surpass the results of simple cold-calling. Additional contact with good clients will produce appreciation for the new assistance and valuable

referrals. The agency will magnify each broker's ability to form relationships with clients. The agency will gain revenue from the productive cooperation of good brokers and an efficient wholesaler specialized in the provision of health-care insurance products. Customers will gain the advantage of the agency's quality in a new realm of insurance service.

Qualifying leads: As the agency's experience with medical coverage grows, so will skill in assessing customers' requirements. The solid relationship makes a broker aware of a customer's business and personal concerns. As in life insurance and property and casualty lines, the best solutions and the most efficient service will come from precise identification of the service the customer wants.

Ask a business owner, for example: What don't you like about your present coverage? What do you like about your present plan? What is your current broker not doing? Why are you talking with me? More often than not in these times of annual double-digit increases, the answer will be "cost." But is the price tag the entire issue? Good questions can determine whether cost is only one factor among several troubling issues. The client may feel confused by the present insurer's offering, and may feel taken for granted or ill-served. The present coverage may be a poor match for an employee group that is undergoing some change. In short, the health insurance relationship has all the complexity of the life insurance and property and casualty relationships. The broker skilled at identifying the needs of flesh-and-blood human beings will be on familiar ground. People want attentive service, good advice, and solutions that work.

Learn what plan the customer has now and wishes to have. It makes no sense to promote health-maintenance-organization solutions if the business has grown to loath an intrinsic feature of that product. No sense offering a rigid plan if the customer's work force is a varied group requiring an intricate match with highly individual circumstances. Other valuable questions can be: What is your current bene-

fit design? When is your renewal date? Request a copy of the last renewal. Note the customer's willingness to provide the information, a good sign that the customer is inviting the broker's help with an important need.

Progress Report

As soon as three months elapse and, certainly within six months, the agency will be ready to review the success of its new health-care line. Evaluation of revenue (both direct and indirect) from the effort will include evaluation of the new line's effect on the agency's original service. If the health-care line is taking hold but doing so at the cost of attention to the life or property and casualty business, the agency may be able to protect the gains from the new line by refining its procedures for servicing the new demand. The selection of prospects from the established book of business may need revision. The agency may have a sense of the value of its involvement in industry memberships and education programs that come with immersion in the new line. Some activities may end while others may rise in importance. Early success and favorable trends can dictate increased investment of time and money in programs that deepen the shop's expertise. As the agency gains experience with the health insurance process, the agency may reduce its own role and increase its wholesaler's role in the mechanics of product selection and presentation. Familiarity can breed routine. Relying on administrative staff and on wholesale services will maintain the efficiency and the freshness of the insurance service while conserving the agency's professional time for formation and management of client relationships.

Good brokers should expect good results from their increased service. Able to serve their established clients in a new and important way, they will gain the satisfaction of improvements in their client relationships and improvements in the revenues of their business. With good judgment, good industry partners, and most of all, continuing fine service to the traditional clientele, the agency will be glad it made health insurance one of its offerings. **BR**



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