

Should You Fire Your Benefits Broker? 3 Questions for Them, 3 for You



Even before the birth of Obamacare, managing company benefits was becoming a more complex process. You probably hire a broker to sort through the best health plans, but some brokers do little more each year than quote the same insurers with higher costs.

Benefits brokers typically charge commissions of anywhere from 3% to 6%. But it's not wise to choose a broker based on commission rates alone; good and bad service comes at all points in that range. Here are some issues to consider when choosing the right broker:

Think of benefits brokers as consultants, and choose one with that same care you would put into selecting an accounting or law firm. Tip: Ask for references from companies inside and outside your industry.

Require benchmark data. Brokers should provide regular benchmark reports that compare the cost of your organization's benefits with those offered by other companies in the same industry and region by size, category and other characteristics. Some brokers provide benchmark data that compare only their clients to each other.

Realize that big isn't always better. Large brokers often claim they can get the best rates. But all brokers have access to the same rate information.

3 questions to ask brokers ...

1. **Do you have special deals with insurers?** Some brokers have exclusive arrangements to represent certain insurers for some types of coverage.
2. **What's the ratio of account service staff to client organizations?** There is no standard industry ratio, but you're likely to get better service from firms that don't have the highest number of clients per individual broker. You also may pay a higher commission.
3. **What's the turnover rate among clients?** Do clients move to other firms after a year or two to seek more options at lower costs? And how (and how often) do you update clients on the trends in benefits and changes in laws?

3 questions to ask yourself ...

1. **Does the broker ask questions** to understand the relationship between your organization's benefits and its strategic goals?
2. **Is the broker trying to sell you specific services**, or is he or she selling the role of advocate or consultant for your organization?

3. **Will the broker work for your organization** to get the best deal possible, or work for the insurance company to earn a commission?

From the Mouths of HR: What to Look for in a Benefits Broker

✖ Here's what some *HR Specialist* subscribers say they look for in an insurance broker:

Seek satisfied customers: "Contact noncompetitive companies in your area for broker referrals. Ask them if they have been happy with the service they receive." — *Donna*

Who's the client?: "Your broker's first concern should be what's best for you, the client. Your broker should offer more than just bidding out your group's business at renewal time. Make sure the broker is licensed with numerous companies, not just the one he or she brings in at renewal. He or she may be staying with that particular company because he or she is getting not only commissions, but bonuses as well." — *Becky*

No surprises: "A good broker should reach out to the client throughout the year, as well as at renewal. That way, there aren't any major shocks when the renewal is received. The broker should request a fresh census each year and then do a market study to make sure you are getting the best plan for your money. They should talk to you about alternative coverage options and other cost-saving measures, to help make sure the plans you have are what's best for your company." — *Kathryn*

Finding the best fit: "If I had to pick the number one quality of a good broker, it's that the process is interactive. You as the employer should feel that you were able to choose that best fit for your employees and company." — *Patricia*

More than a renewal: "If you are not getting all of the following, your broker isn't providing all you deserve. A good broker should:

- Help you obtain quotes at renewal time.
- Push back on your provider to lower renewal rates.
- Provide a detailed financial analysis to help your decision-making process.
- Learn employee needs and how they're using the plan. When we changed brokers, one of the big benefits was that they helped us survey and analyze our employee plan usage. We found that we could go with a high-deductible health plan that saved us money while still covering pretty much the full deductible in-house.
- Visit several times a year to ensure you're not having problems with your carrier. Our agent comes into the plant every other month and makes a walk-through. The employees know who she is now, and her visits often elicit information about issues that people don't think to bring up with HR.
- Play an active role in resolving issues you and your employees are having with the carrier.
- Provide documentation and plan summaries and conduct meetings to help employees understand their coverage.
- Support HR in meeting with new hires to explain benefits and the enrollment process.
- Provide online resources to help communicate with and educate employees." — *Julie*