

# SMALL IS *Beautiful*

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WHEN THE ECONOMY GETS ROUGH, MANY AGENTS FOCUS ATTENTION ON THEIR BIGGEST CLIENTS IN HOPES OF BOOSTING THE BOTTOM LINE. BUT SOME CREATIVE THINKERS ARE DISCOVERING THE BENEFITS OF USING STRATEGIC PARTNERSHIPS TO MANAGE EVEN THEIR SMALLEST EMPLOYEE BENEFITS ACCOUNTS. THE RESULT IS INCREASED RETENTION AND SATISFACTION FOR CUSTOMERS OF ANY SIZE.

**B**ig accounts mean better bottom-line profits. Yet as any successful broker knows, if you want to provide comprehensive service, drawing a line in the sand regarding what size account you desire is not always a simple task. For example, the P&C commissions for a commercial real estate company with multiple holdings -- but few employees -- could be significant, while the benefits commissions might be minimal. Not to mention the time associated with managing such accounts.

During one of the most difficult economic environments ever facing our industry, many agents may be tempted to cling to every piece of business, regardless of the profitability factor. But read on to learn how three geographically diverse firms took a different approach. Each brought in a partner to manage its smallest employee benefits accounts, and all were able to increase revenues by focusing on larger clients or other types of insurance.

### THE MASSACHUSETTS MODEL

Independent insurance agents, particularly those who sell health insurance policies, are operating in a challenging era. While no one can predict the eventual impact of health-care reform, the state of Massachusetts offers a glimpse into one possible future. In 2006, it was the first state to institute mandatory health insurance for nearly every resident. Some anticipate that national healthcare reform may mimic aspects of the Northeastern state's model, which requires employers to offer employee health coverage and penalizes those that don't. The Commonwealth Health Insurance Connector Authority, an independent public entity also known as the Health Connector, provides subsidized coverage and facilitates the selection and purchase of private insurance plans by individuals and small businesses. Residents earning up to 100 percent of the Federal Poverty Level receive subsidized healthcare; partially subsidized coverage is available to others based on

a sliding scale.

In response to these major changes, Chris DeLorey, principal of Bostonian Solutions, Inc., an employee benefits and P&C firm, believes the future looks better than expected. The phone hasn't stopped ringing. Statewide, employers offering coverage jumped from 50 to 75 percent. By 2007 his Boston-based brokerage was so busy, particularly selling high deductible plans, he engaged a small group specialist to manage the firm's smallest clients. This enabled his team to focus on larger accounts, while providing all customers with the quality service they deserve.

"There are more opportunities than ever," DeLorey reports, "yet we're working twice as hard for the same money. We've evolved into an advisor, playing a consultative role to help clients navigate the complex legislation." Bostonian Solutions routinely interacts with its larger clients on a monthly basis. The firm advises senior management and helps present new programs and initiatives to employees -- often explaining high deductible plans, COBRA coverage or Flexible Spending Accounts. "Many of the services we provide today fall under the 'benefits communications' moniker, increasing our value and worth in the eyes of our customers," he says.

At the same time, the workload has expanded exponentially. DeLorey has worked in the insurance business since 1986 and some of the firm's smallest clients have been with him since the mid-1980s. He's become personal friends with many of them, and has an allegiance to these accounts.

"We have a history of offering high-touch service," he explains. "When we surpassed the \$1 million revenue mark, I realized the larger clients needed more attention and our smaller accounts -- the ones I started with -- were not receiving enough. We were being reactive instead of proactive. It wasn't fair to them, and our client representatives were concerned." Such challenges were compounded by the new demands of healthcare legislation. "It takes time and

people power to provide the support."

The solution was a partnership with a small group specialist to handle about 140 of Bostonian's accounts that each generated \$5,000 or less in annual revenues. DeLorey admits it took a while "to get over the idea" that an outside firm would directly manage the clients he'd served for years.

His due diligence included visiting each candidate's operational headquarters to determine whether they supplied dedicated staff, systems and carrier connections. He sought a partnership that could deliver against three criteria:

- 1 Is a sophisticated system in place to ensure that the firm will be in compliance with state and federal regulations? "If you're seeking a partner and they can't provide an acceptable answer to this question, move on," he said.



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2 Are processes in place that will deliver better service than our customers currently receive? Does this company offer more efficient systems so that client contact is actually more frequent throughout the year?

3 Will my brand remain foremost in my customers' minds? Will the firm truly become an extension of my brand? "Health insurance is an important service," DeLorey said. "It's not the same as outsourcing maintenance on a piece of equipment."

By folding the partner's services under the Bostonian Solutions brand, his customers still feel connected to his firm. "Our clients are our biggest asset," says DeLorey. "They are the source of future referrals. But I realized if we did not properly service them, they would be willing to listen to competitors. Our partner has a proactive approach to serving and renewing business. They reach out to our clients, as well as offer online human resources and wellness portals that our customers never had before. These advantages separate us from our competition.

"Ninety percent of the time when you lose a piece of business, clients will say 'you weren't proactive or you were late with the renewal,'" says DeLorey. "If you spend time inefficiently reaching out to small business customers, by nature your larger clients will be in jeopardy. You can't serve both well at the same time. That's what our partnership offers us -- the ability to be in two places at once."

Because Bostonian now uses an efficient profit model for its smallest base of business, the firm can provide even better service to its larger clients and has "increased its win-rate in the market." One lost account even returned. The customer works with the same Bostonian representative they had before, but she is now capable of handling 10 clients instead of 40. "She offers so much more time, talent and effort," he explains.

DeLorey said he believes other states

will implement plans similar to Massachusetts and brokers will shift more toward customized services, similar to the role advisors play in the 401(k) business. Federal legislation is potentially another double-edged sword: presenting both threat and opportunity. It all depends on the details of the plan, but those who provide great service and consultation, will be in the best position to thrive. In Massachusetts, with the advent of the nation's first mandated healthcare reform and the complexity of high deductible health plans, "there is an increased need for and value associated with our services," says DeLorey. If you structure business right, there are more opportunities now than ever."

### PARTNERING IMPROVES SERVICE

Pasadena, Calif.-based Bolton & Co. is not yet dealing with state-mandated healthcare reform issues, but shares a struggle similar to Bostonian's in managing its smallest employee benefits accounts. "Every year we strive to focus on bigger clients," says Judy Whitson, vice president of Bolton's account management team. A few years ago, the company found that its smaller clients inhibited its ability to grow.

Established in 1931, Bolton & Company is one of the nation's largest employee-owned insurance brokers, providing clients worldwide with insurance and risk management services, employee benefits and financial prod-

ucts. The company employs more than 120 insurance professionals and manages in excess of \$150 million in annual premiums on behalf of its clients.

In 2004, the firm had concerns about the increasing amount of time required to service small employee benefits customers. Because many of these companies lacked HR departments and management was rarely knowledgeable about insurance issues, Bolton personnel would carve out time to help educate owners and employees, as well as process enrollment forms. And, because money frequently was tight, the firm expended a tremendous amount of effort for low-priced quotes that produced minimal commissions.

Bolton decided to explore a partnership with a small group specialist, but did not want customer relationships to suffer. They discovered that a partner with the right resources could actually enhance services. Among the advantages:

- An employee help desk to immediately answer employees' questions
- A 24/7 Web site that supplements the efforts of live representatives
- Online wellness services, including health risk assessments, interactive health education lessons, health logs and trackers, wellness calculators and self-care resources
- Benefits resource tools with employee training tools, document templates and information about state regulatory requirements.

The partner now manages all employee benefits accounts that generate less than \$7,500 in annual gross revenue.

"The arrangement affords our talented staff the time to focus on larger relationships and prospects," says Whitson. There also is a competitive benefit to the partnership. When pursuing risk management accounts that



desire employee benefits coverage as well, "it allows us to say 'yes' to a deal and not have other brokers in the mix," says Whitson. The end result? "We've able to bring on more business without adding staff."

### P&C FIRM EXPANDS

South Bend, Ind.-based Gibson Insurance Group, known for its property and casualty business, pursued a partnership with a small group employee benefits specialist to achieve a different objective than Bostonian or Bolton. Gibson wanted to grow its employee benefits business to further diversify its product offerings. Management determined that its agents could focus on more profitable accounts if the right partner was in place to manage small accounts.

"We did a great job with P&C business,



but had not cross-sold employee benefits the way we could have," explains Tim D. Leman, Gibson's President. "We wanted to ramp up rapidly." Gibson, an IIABA Best Practices agency since 1994, ranks in revenue among Indiana's top five privately held independent agencies.

Gibson ended up transitioning more than 60 percent of its employee benefits clients to its new partner, which actually only represented 15 percent of the agency's revenues in that specialty sector. The move freed several Gibson employees to service larger accounts, and the results speak for themselves. With 20 of the agency's 85 employees devoted to employee benefits, this business segment more than doubled during the first 33 months, from 12 percent of agency revenue to about 25 percent.

Surprisingly, part of the expansion

came from smaller accounts. During the transition, the agency reorganized its small commercial insurance business unit, eventually asking the partner to cross-sell employee benefits to its small risk management customers, writing 29 new policies. "Our partner created opportunities that we really didn't have before," says Debra L. Smith, client executive for the business and private client group within Gibson's property-casualty practice.

At the same time, it enhanced service to smaller clients. Because the partner specializes in small group business, it has the technology, systems, processes and efficiencies afforded by greater scale. Gibson's customers also have access to a greater choice of carriers.

The partnership opened doors at a time when many brokers are struggling for business. Recently, Gibson approached a prospect with about 25 employees. "We couldn't identify how to improve their P&C coverage," says Smith, "but they asked about employee benefits." No one had talked to them about health savings accounts, and the company was intrigued. "In the end, we didn't write the P&C business, but we now have their employee benefits," she says. "We'll stay in contact and re-approach them about P&C when the economy improves."

Challenging times call for new strategies, as these three firms have discovered, and partnerships are one option that may be worth exploring. "Don't be afraid to do things differently than you've done in the past," says Gibson's Leman. "This strategy leads to solid growth. We are focused on getting in front of as many clients as we can, positioning ourselves well for the long haul."



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