

Insurance reflects U.S. society: a few, elite agencies surpass others

Employee benefits agencies must invest in remodeling their business to survive

By Jaime L. Brockway

EMPLOYEE BENEFITS AGENCIES must invest in improving their businesses if they expect to be competitive in the future, or only the elite few will survive, an industry expert says.

"I think there are going to be about 5% of agencies taking business from the other 95% for many years to come,"

Brett Rosen, senior vice president, mergers and acquisitions for Atlanta, Ga.-based Digital Insurance, told IFA. "The rich are going to get richer in the brokerage space. That is, those agencies with deep experience, capabilities and strong leadership, have been and will continue to gain market share."



Brett Rosen

Employee benefits agencies face increased complexity from health reform, increased time and communication requirements, altered medical loss ratios and new health exchanges where individuals and small-group will be able to research and buy insurance on their own.

Communicating change

Some agencies will have the resources to understand and communicate these changes effectively, Rosen said, and some will have the systems and operational support needed to keep up with ongoing plan and client management. Some won't.

This period of uncertainty and rising costs

makes this a natural time for clients to explore other brokerage options, and for employers to consider professional employer organizations (PEOs), other brokers and payroll providers, according to Rosen.

"Employee benefits agencies are still competing with each other, although in certain markets there is heavy competition with payroll companies and PEOs," Rosen told IFA. "In the future they will be competing with direct carriers."

He said carriers are forcing competition among benefits agencies by becoming more selective about their partners.

"Carriers are starting to tier commission structures and so carriers are looking for distribution partners to get out to the customers," Rosen said. "It's in carriers' best interest to have fewer distributors out there to lower their distributor costs. By changing their commission structures to favor the larger players, carriers are forcing some of the competition to join forces."

Every agency must find new customers, retain current customers, expand profit margins and maximize the valuation of the business, according to Rosen.

Successful agencies will have invested in technology systems, strong consultants, marketing and business development, and additional value-added resources for their clients, or have formed relationships with service providers to add more value for clients or build their own direct services, according to Rosen.

Agencies can expect operational scale will become increasingly strategic (providers, carriers and brokers). Technology and analytics will become intrinsic to an agencies competitive advantage or disadvantage. Access to call centers will become vital. Harnessing price and quality

// Finding the drive to survive

Employee benefits agencies must do the following to survive unprecedented changes in health insurance:

- Provide leadership to clients, company as they negotiate new complexity and uncertainty
- Create suites of value-added services
- Develop broad human resources and benefits expertise
- Possess large, efficient platforms

Source: Brett Rosen

transparency from providers and carriers for consumers will become strategic. Multimedia educational tools and communication platforms will become a competitive differentiator for brokers.

"I think the future is extremely bright for agencies that have invested in their business," Rosen said. "The future is very bleak for the traditional agent whose value is really driven solely on relationships...A lot of folks who own agencies grew up as producers and they've got great street-level experience, and they're very customer-oriented and service-oriented, but they haven't had to do the level of strategic thinking that they need to do today. So, the challenge is to adapt to a rapidly changing, ambiguous environment." IFA