



Digital Insurance Helps Brokers Serve Small Group Market

By Karen Lee

Many, if not most, brokers will tell you that 80% of your revenue will come from the top 20% of your clients.

That leaves the other 80% of your clientele, many of whom not only bring in less money, but also require much more maintenance. This usually is true of small employers who most likely do not have a dedicated HR department and are not particularly sophisticated in the ways of benefit plans.

“We were spending all our time on the 80% that isn’t most of the revenue,” says Ken Olson, senior vice president of The T.J. Adams Group, a Chicago-based brokerage. “[Some of our smaller companies] are more labor-intensive than some of the larger companies. They need a lot of handholding. Handling HR or benefits administration issues is not their priority, and because they don’t have HR departments, they look to the broker as the HR administrator.”

Olson, therefore, saw Digital Insurance as a lifesaver. The Atlanta company, founded in January 2000, positions itself as a sort of support system for benefits brokers who find themselves having a difficult time servicing their small clients. Digital Insurance, through a technology platform that includes telephone and web services, essentially takes over from the brokers all benefit administration matters for those employers with fewer than 25 employees.

Enhancing service

Digital has partnered with some 50 benefits brokerages nationwide, including Lockton Cos., Brown & Brown, Acordia and Hilb, Rogal & Hamilton, to administer benefits for their smaller clients. The benefits professional at Digital’s customer service center answer questions from employers and employees, handle problems, and assist with billing, claims and eligibility. On average, Digital staff will reach out to each client six times a year to make sure service is at the right level. That, say Digital executives and the clients with whom they work, is more service than many employers are likely to get from their brokers.

Michael Sullivan, Digital’s executive vice president of sales and marketing, explains that brokers are forced to spend much of their time providing perfunctory service to clients that don’t offer much revenue.

“A significant issue is commission compression,” Sullivan says. “There are not as many commission dollars as there used to be because commissions are going to a per-head basis rather than percentage of premium. There are fewer dollars in the system, and it’s difficult for brokers to go out and see everyone face to face.

Compounding the problem is the fact that “people have defined customer service as how they respond to calls,” he adds.

However, he maintains, a technological solution such as the one Digital Insurance provides “can dramatically enhance the level of customer service. We changed the construct to a service center so we can be there and be connected, with access to many accounts.”

Digital has taken on 10% to 15% of Acordia’s client base, says Acordia Senior Vice President David Solomons, who is based in New York. That has allowed Acordia to eliminate one position and assign another broker to larger accounts, saving about \$80,000. That does not sound like a lot, considering that Acordia has about 4,500 employees and \$6 billion in premium. However, Solomons points out that an associate making \$80,000 a year, including benefits, was handling a book business worth \$120,000.

“I think the model is very, very effective in that most brokers hold on to small accounts because they’re afraid if they give them up, they’ll lose money,” Solomons says. “If you do the numbers and eliminate a position or retrain that person, it helps the bottom line.”

Broker-client relationship?

Of course, there is the problem of the broker’s relationship with the employer. Many brokers extol the interaction with clients as the way to get and keep business.

Sullivan says the technological construct should not impede human interaction or the employer’s relationship with a broker.

“On the smaller end of the market,” Sullivan points out, “they don’t see the broker a lot anyway. In a traditional construct, most of the interaction is done on the phone.”

The broker, though, acknowledged that turning over the clients to another company’s technological platform, even if they are available in a watchdog capacity, may not exactly bring them closer together.

However, as Olson says, “With the fourth year in a row of double-digit medical cost increases, the relationship is not as important. Smaller employers are very price-driven, and they’re willing to jump ship pretty quickly if they can find a better price.”

Besides, Solomons notes, those clients are willing to try this format out once the benefits are explained.

“The way you present it is really important,” he says. “We said we will maintain the relationship, but we’ll be bringing service to them in a more efficient manner. If they need us to come out and sit down with them, we’ll do it. Once you put it that way, the employers are willing to give it a shot.” – K.L.