

The following benefits management case study was produced by Employee Benefit News and BenefitNews.com.



Digital Insurance expands service solution in small group benefits marketplace

By Bruce Shutan

After noticing that about one-third of its client base consisted of small group insurance market customers generating just 2% of revenue, Seattle-based benefits broker ClearPoint faced a significant operational challenge.

"We believed they consumed a greater proportion of the firm's labor than the revenue numbers warranted," reports CFO and chief operating officer Pierre Gallant.

ClearPoint's expertise was clearly building workflow processes and methodologies for delivering exceptional service to midsize and large employer clients - a model that simply didn't translate for small business. But the broker wasn't about to cut loose any of these clients, some of which offered valuable referrals or later became larger organizations that helped raise profit margins.

A True Partnership

In February 2003, ClearPoint enlisted the help of Digital Insurance, Inc., which developed a state-of-the-art customer-service platform geared toward the 50-life-and-under market. Like other brokers, ClearPoint retains full ownership of accounts that Digital manages.

"We're \$8 million into an infrastructure build-out that involves a pretty sophisticated account management dashboard, CRM [customer relationship management] and integrated telephony system," explains Mike Sullivan, executive vice president and chief marketing officer of Digital Insurance, which was founded in January 2000 and has 7,400 accounts under management.

"This technology allows our account managers to manage client and carrier information in real time, document every interaction with the client, as well as do rate quote proposal generation for individual and small group markets on a national basis."

His recommendation to brokers managing small group benefits customers is that they leverage Digital's substantial investment in technology and processes rather than try to develop their own infrastructure. And while his firm's proprietary platform no doubt offers an impressive technical tool, Sullivan can't help but feel his customers place greater value on the talent Digital has assembled and service levels it provides to differentiate itself in a competitive environment.

Managing the small group market is no easy feat for brokers trying to differentiate themselves, since insurance rates are mandated in nearly every state and cannot be negotiated. Another factor to consider is that smaller employers traditionally do not invest in an internal HR function but consume quite a few of

these resources from brokerage houses.

"A lot of the groups we service are in multiple locations," Gallant adds, "and you don't have enough critical mass or threshold of business with some of these carriers. If Digital can aggregate hundreds or thousands of small groups from different brokers like us and create scale, then they're going to be able to get paid and pass it onto us."

Revenue growth

While results of the 13-month partnership with Digital Insurance are still being quantified, Gallant is encouraged by what he's seen. One positive development is that four full-time employees are able to focus on ClearPoint's midsize and large core-market clients and have honed their skills with the assistance of a more strategic level of training and development to which the broker committed.

Digital, which handles a wide range of services that include managing the insurance renewal process, has been able to grow revenue across its client base by 8% to 12% on blocks that were transferred by broker partners with whom bonuses and overrides remain.

"There are very few companies that can support more than one process well, and that's why companies generally outsource," Gallant says.

Sullivan notes that the service-center model has proven to be a positive experience for small employers and employees alike, and he's not aware of another broker in the country that is completely focused on creating a turnkey, customized small group solution as an extension to a broker's existing operation.

Digital has done "a terrific job" of developing a proactive call-center system that has raised the bar on the quality of responses to employee benefit inquiries, Gallant says.

Digital's technology platform enables ClearPoint brokers to log in and review the status of their accounts as well as data links to various carriers. Digital contacts small-market clients at least half a dozen times a year and even will cross sell additional lines of insurance for broker partners, enabling ClearPoint and others to deliver greater value to small-business clients in terms of consulting services.

Powerful Team

Segmenting markets by customer needs and creating partnerships where necessary to deliver these services is proving essential in a rapidly changing business climate.

"Commissions in the small group market are decreasing yet the demands being placed on agencies are increasing," says Sullivan, noting that Digital Insurance, Inc. is able to serve as a growth engine for insurance brokers and advisers by focusing on a segment of their business that often receives less attention.

"Ultimately, brokers will need to focus on their core market segment in order to compete and grow," he concludes. "You can't be all things to all customers anymore. Most agencies aren't in a position to make a significant investment in infrastructure. Digital represents a common platform growing firms can leverage."

Bruce Shutan, former managing editor of Employee Benefit News, is a freelance writer based in Los Angeles.