



BROKER/ADVISOR PERSPECTIVES

INSIGHTS FOR AND ABOUT BROKERS/ADVISORS
ACTIVE IN THE SELF-INSURANCE MARKETPLACE

TOO MANY EMPLOYEE BENEFIT AGENCIES AREN'T BUILT TO LAST

Written by Kevin Trokey

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we are thrilled to be partnering with SIIA to bring you this new monthly feature. As you can see from the banner and tagline, we are going to be discussing the dynamics of employee benefits brokers, how they can be more successful, and how their partners can be more successful in working with them.

As a quick point of introduction, Q4intelligence is an agency development firm working exclusively with independent agencies to more effectively and efficiently grow and lead their practices. My partner, Wendy Keneipp, and I will be sharing our observations, insights, and ideas here in this column on a monthly basis. We hope you will find our articles interesting, thought-provoking, and challenging, but don't be shy about pushing back on us or letting us know topics you would like us to address. With that, let's do this!

REALITY CHECK

We have the privilege of speaking at industry events on a regular basis. When doing so, we regularly ask, "Who grew up with the goal and went to school with the aspiration of getting into insurance?" This question never fails to elicit outright laughter but rarely lifts more than a couple of hands. The reality is that this is a very accidental industry.

However, despite our accidental nature, it is always interesting how many of us stay once we get here. Of course, when you really look at what the industry has to offer, the surprise isn't that surprising at all. Insurance brokers/advisors have the opportunity to impact the business of their clients like no other advisor. They have the opportunity to impact them strategically, financially, operationally, and, because of the connection to their clients' employees, even emotionally.

Brokers/advisors can't do this alone; they need healthy partnerships in order make this kind of impact.

When you add in that those same advisors make a great income, have nice working environments, and, other than 4th quarter, have great work/life balance, it's no surprise why so many accidental arrivals stick around. However, none of

this is as guaranteed or predictable as it once was. Virtually everything that has made the industry so attractive is under attack. But it doesn't have to be that way.

As a foundation, let's discuss how the legacy habits of the industry will be the downfall if we don't let them go.

BUILT TO LAST? – NOT SO MUCH

Whether your own, work in, or partner with agencies, it is critical to understand the basic structure of the typical agency.

The Achilles heel of the insurance industry is that too many agencies have been built and run as lifestyle businesses and the owners refuse to let go. But don't think that this lifestyle business model is limited to the family-owned agencies. This mentality is alive and well even in the largest of brokerages.

The fact that owning (or working in) an agency can be a lifestyle business is what has made starting one so attractive to so many owners. Their main goal has been to achieve and maintain a certain income, which allows them to achieve a certain lifestyle. At least prior to ACA, that lifestyle meant a pretty casual, some would argue almost "part-time", yet very financially lucrative, career.

THE SIMPLE LIFE

There was a time when that approach worked well, back when the role of a broker was purely transactional. Back when the broker was the only resource employers had access to when they needed to learn about, and make, insurance product decisions. Back when insurance was the only need a broker needed to address for their clients.

What a simple time that was!

A broker's job was best described as getting insurance quotes and then being there when clients needed help. The thing is, as basic as those responsibilities were, there was a huge financial reward.



I've suggested many times that the financial reward for this mediocre effort was excessive. But, as excessive as it may have been for the effort put forth, the independent broker system was still the most cost-effective way for the carriers to distribute their product.

OF COURSE, TIMES CHANGE

For so many reasons (exchanges, technology, carrier consolidation, etc.), the transactional aspect of an insurance broker's job has been commoditized.

And, as things become commoditized, their value naturally decreases.

And, pointing out the obvious, as value decreases so does the financial reward.

And, continuing down the obvious path, as financial rewards decrease, the lifestyle of the owner is threatened.

That threat becomes even greater when you stop and recognize that while the transactional part of a broker's job is

being devalued, the demands of their clients are growing exponentially. Clients need help, advice, and guidance in ways they never have before, putting significant pressure on the broker to be able to deliver.

It's a double whammy for the lifestyle business. At the same time the financial reward to which owners have become accustomed is being slashed, their clients are expecting them to build a more sophisticated operation.

Less money along with the stress and pressures of building a more sophisticated business is NOT what most owners signed up for.

SO KT, WHAT ARE THE OPTIONS?

When it comes to protecting the lifestyle, there are only three paths an agency can take. Two of the three options threaten the very survival of the independent agency system.

Option 1

The path too many agencies are taking is to cut back on expenses (training, staff, infrastructure) in an attempt to protect margin (and their lifestyle). Of course, they are cutting back at a time when the needs of their clients demand they double down on these investments, rather than cutting them.

Inevitable outcome - These agencies will either fade to black or eventually succumb to the second option.

Option 2

That second option is to sell the agency under the naïve belief that someone else will protect their lifestyle. You've probably heard the siren's song, "Sell to us, we'll take care of EVERYTHING! We'll provide you with everything you need. We'll take care of all the detail stuff. We'll leave you alone to run your office the way you always have. Your lifestyle will be better than ever."

It's a hypnotic message that too many are falling for.

Inevitable outcome - Yet, when the new owner snaps his/her fingers and the acquired owner wakes up, they find their new reality is anything but what was promised.

Selling, merging, or whatever euphemistic label you want to apply, is not necessarily a bad idea for some agencies. But it is not conducive to the original owner maintaining the lifestyle to which they had become accustomed. They are now part of a much more corporate environment that will, inevitably,



put new responsibilities, demands, accountability, and limitations on the original owner. They are no longer in control.

Option 3

And, then there's the third option, which is to fight back against the threats to the current situation. No doubt it's the most difficult, but it is also the most rewarding, on so many levels. Not only does it require a significant change in how the lifestyle-owner operates, it requires two significant changes in business operations.

Change 1 - The first change is to listen to the needs of the clients. The clients will say, "Yes, the insurance decisions have become more complex than ever before, but we also need help communicating that benefit program. We need help with compliance, technology, attracting/retaining employees, wellness, employee engagement (and this list goes on)."

And, while most agencies have resources to help with these needs, very, very few have made the investment into training, education, and processes to ensure they are used effectively, and that clients' problems are truly addressed as a result.

You are not in the product business any more Toto; you are in the advice and results business.

It's not about the products (insurance or non-insurance) you have to offer, it's about the advice and results you can deliver around the problems those products are intended to address.

Inevitable outcome – When prospects/clients learn of your ability to impact their business beyond insurance, the dynamic of the relationship changes. You are no longer seen as a vendor, but as an advisor (as cliché as it may sound). You are no longer associated solely with the expense of an insurance product, but you are seen as an investment into their own success.

Change 2 – This is almost impossible until Change 1 has been implemented. However, once it is, this one becomes pretty easy. It is about taking on the threat to your revenue.

Once clients see their broker/advisor as an investment, when they understand the many ways that advisors can deliver improved results to their business, they will be willing to pay for those results. This advice-and-results approach makes it much simpler to move into a fee-based arrangement with clients.



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BE AN ACTIVE PARTICIPANT

There really is nothing wrong with a lifestyle business as long as the business environment is conducive to such a model. I believe this industry can still provide unbelievable lifestyles, not just for owner, but also for the team.

But the industry has grown beyond its transactional, spreadsheet-dependent past. The lifestyle dream can still be a reality, but it's forcing agency owners to wake up and become more active participants in building that reality.

It is no longer enough to have an agency built to serve the needs of the carrier by simply distributing and helping service their product. It is now all about truly serving the growing, more complex, needs of their clients.

Will it take hard work? Yes! Will the results be worth the hard work? HELL YES!!

I don't know about you, but I take much greater pride in being part of a business that is built to make others more successful at what they do. That's way more rewarding than simply putting together the fanciest spreadsheet.

We have to do this together

Benefits brokers/advisors may be on the front line with the employers, but they can't make the necessary impact alone. That's where everyone reading this column comes into play.

Our articles will continue to talk about how brokers and their partners can navigate the current challenges, partner together in more than a cliché sense of the word, and, together, make an impact on the businesses of America like never before.

Are you with us?! ■

Kevin Trokey is the Founding Partner of Q4intelligence, a marketing and sales enablement firm committed to the preservation and transformation of the independent agency system. He writes prolifically regarding the many challenges being faced by today's agencies, providing guidance to overcome those challenges. He is a frequent industry speaker and was recognized by the National Association of Health Underwriters as their speaker of the year in 2016.



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