

The marketplace for employer advice



We have written extensively about the growing need to provide employees with meaningful advice during the enrollment process. We believe this will become an increasingly important differentiator as employees are faced with choices that grow in number and complexity.

At the same time, brokers have to rethink their approach to account-level advice. On the employer-paid side, brokers have built their value propositions around cost savings, shopping, and helping employers maintain competitive advantage. On the voluntary side, we still have work to do. For many producers, voluntary coverages are a defensive or cross-sale that receives little of the emphasis or analysis used on the traditional benefit offerings.

Pressures for more thorough and tailored recommendations are growing. Voluntary takeovers are increasing and employers are becoming educated on the differences between carriers, offerings and enrollment options. As these employers begin to move up the learning curve, brokers need to be aware that the quality of their recommendations on the voluntary side will increasingly impact how their services are viewed regarding the entire benefit package. While many producers see voluntary as a poor cousin of their traditional offerings, more and more employers see them as a key part of their benefit strategy. Brokers can either be out in front of this transition, using voluntary as an integral part of their strategic recommendations, or trail the trends and risk sliding from the role of an advisor to a seller of packages. Letting the market drive this transition among brokers means that many will be marginalized.

The market works well when buyers (employers) can clearly see the outcome they are purchasing. When buying an



appliance, the buyer can see, measure and compare the outcomes offered and can make an informed decision. In such cases, the buyer can weigh the benefits of purchasing against the costs of purchasing. But in many cases (such as in purchasing benefits), many outcomes are opaque at best. Cost can be measured, but impacts on morale, recruiting competitiveness and employee turnover are more difficult to compare. And where outcomes are not transparent, advice has economic value. Think about areas like medicine, law and complex finance, and of course, employee benefits. In these areas, we are, at least in part, purchasing the judgment of the advisor. We buy in the belief that the advisor is giving us the greatest likelihood that our outcomes will be achieved.

Brokers who wait until the market forces them to upgrade their knowledge and advisory services in the voluntary arena are right that the market will dictate the results. But being behind this curve risks exposing them to the ruthless

side of market forces. Where the advisor's judgment is not perceived as giving the employer the greatest likelihood that outcomes will be achieved, it is replaced. In some instances, regulation steps in to define advice ("best advice") while in others, the advisory function is eliminated through disintermediation. The market simply bypasses the advice. And it bypasses the advice giver.

Brokers who do not bring their traditional value proposition to their voluntary efforts will increasingly be bypassed in the market. Using a proprietary carrier platform, selling only one company's products, and using a carrier branded enrollment option may all be appropriate in specific situations. But when they are used as the only solution, brokers will risk undermining their own value proposition.

There is still time. Today, most employers don't focus on voluntary because the coverages and carriers may be new to them, or because they don't appreciate the role voluntary can play, or simply because they trust their broker to recom-

mend whatever is needed. But that is changing. And as employers become more sophisticated, they will need to see evidence that their broker is bringing the same focus and knowledge to voluntary as with employer-paid products.

In the future, more benefit packages will include products from different voluntary carriers, a "best-of-breed" approach. And while "best" includes more than benefits and price (billing, administration, etc.), that difference makes the advice more important, not less. We'll see an increasing movement towards independent enrollment solutions and third-party administrators and consolidated billers. Eventually, brokers will knit together the best products (including all aspects discussed), on the best systems, enrolled through open processes that supply meaningful advice to employees.

We need to look at our offerings as a single toolbox of solutions. Some are employer-paid, some are contributory and some are voluntary. Some are supplied by carriers, others by third-parties and still others are owned by the producer.

But all are important and are vital in matching the benefit design to the employer's needs. That is the mature approach to these marketplace trends and pressures. When we reach that point, we will truly be providing strategic benefit advice that makes the broker an indispensable member of the team for all benefit decisions.

Gil Lowerre can be reached at (860) 676-9633 or glowerre@east-bridge.com.

Bonnie Brazzell can be reached at (803) 738-1236 or bbrazzell@east-bridge.com.