

Employee Benefits Today

WHITE PAPER



EMPLOYEE BENEFITS TODAY

Today's Employee Benefits Insurance Brokers are experiencing unprecedented pressure from within their industry and the market they serve. Customers expect better and faster service at the same or lower costs, and businesses need to operate more efficiently—to do more with less.

Employers rely on brokers to ensure their own compliance and to navigate the complex and dynamic healthcare market. They are also expecting more from their brokers or advisors, placing more stress on an industry facing its own disruptions. Employee Benefit brokers are being impacted by the following factors and market drivers.

MARKET DRIVERS



The average age of an insurance agent in the 2014ⁱ

TALENT CHALLENGE

According to a McKinsey & Co. report, the average age of an insurance agent in the US in 2014 was 59. Given this, it is expected that one-fourth of the industry's work force will retire by 2018. Even if all those eligible for retirement do not end up doing so in 2018, they most likely will over the next couple of years. While this research focused on the Property & Casualty portion of the industry, it is indicative of what is happening in the industry as a whole. Unfortunately, the aging work force is just one piece of the talent issue. The industry itself doesn't attract the talent it needs. A joint survey from The Institute and the Griffith Insurance Education Foundation revealed that young employees view insurance as "boring".

While the industry makes efforts to correct this over the longer term, agencies still face the challenge of attracting and retaining talent, especially in entry level positions that involve a considerable amount of processing work.

MARKET DRIVERS



INCREASING MARKET DEMANDS

In a March 6, 2016 Forbes article by Dave Chase entitled “Benefits Brokers Are Dead. Long Live Benefits Advisors,” the author makes the point that “the most innovative benefits advisors are just like extraordinary money managers and wealth advisors—they’re worth their weight in gold”. Employee Benefits isn’t transactional; brokers or advisors are now expected to provide an extremely high level of service—from educating employers on healthcare regulations and changes through serving as extensions of many of their clients’ human resource departments and managing benefits administration.

On the one hand, this is a great way to increase customer engagement and to help ensure account retention. But on the other, it creates even more pressure on already taxed operations—especially during renewal season. To be effective in providing the expected level of high-touch service, employee benefits organizations need more time and resources, at a time when margins are being squeezed due to increased costs.

MARKET DRIVERS

SEASONALITY

Between 60% and 80% of all renewals occur in Q4, placing a tremendous amount of pressure on agencies. Overtime hours and employee burnout both soar during this time. Regardless of the increased work, customer service needs to remain excellent as decisions on renewals are being made.

CHANGING REGULATIONS (ACA AND AHCA)

Just as the industry was getting adjusted to the Affordable Care Act—which is still not fully implemented—the winds of change may be here again with the American Health Care Act. In this time of flux, Employee Benefits Brokers must continually ensure that the coverage they are supplying and its administration are compliant.

Implementing changes as a result of new or evolving regulations is labor intensive and must be done accurately so as not to expose the agency or customer to increased risk. That might include training staff on updated procedures, updating multiple systems, checking policies for compliance, and communicating to customers.

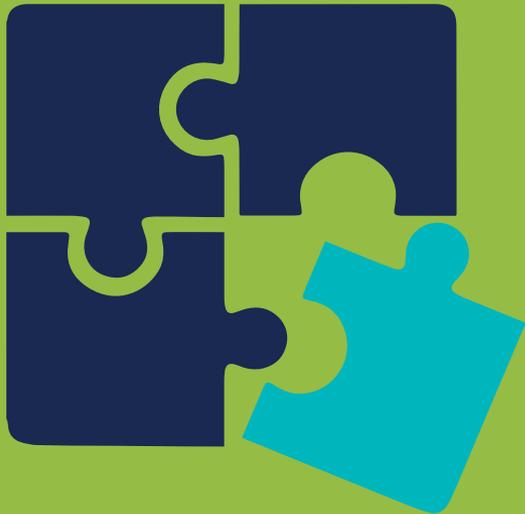


A CHALLENGING OPERATIONAL ENVIRONMENT

The market drivers previously discussed have many Employee Benefits brokers searching for solutions that allow them to maintain or hopefully increase their customers' experience and profitability. In many instances, agencies have done one of the following to address these market challenges.



A CHALLENGING OPERATIONAL ENVIRONMENT



TYPICAL SOLUTIONS USED TO ADDRESS TODAY'S MARKET CHALLENGES

STATUS QUO - While the challenges exist, they are usually dealt with on a tactical basis: address the issue when it becomes acute or putting out fires. This usually costs considerable amounts in overtime, increased errors, employee satisfaction and customer service.

TEMPORARY STAFFING - During peak seasonality, many agencies employ temp staff to pick up the increased activity. This can be helpful to alleviate some of the admin burden, but it only addresses a small part of the problem and not in a highly effective way.

TECHNOLOGY - Adding the right technology can absolutely create efficiencies in operations. However, it is not a comprehensive solution for business segments like employee benefits that require such elevated levels of high-touch customer service.

A CHALLENGING OPERATIONAL ENVIRONMENT



GETTING STRATEGIC ABOUT OPERATIONS

The challenges discussed aren't going away. If anything, more change is expected as further disruption to the traditional distribution channels increase. To effectively deal with change, tactical solutions—temp staffing, technology solutions—simply aren't sufficient. Insurance organizations need to get strategic about operations. Employee Benefits divisions that take an aligned, strategic approach to operations gain the agility and capacity to profitably grow their business. It allows businesses to handle market and seasonal fluctuations in a responsive manner, without sacrificing customer service.

Getting strategic about operations allows organizations to understand where to focus resources. It's about ensuring that people have the skills and knowledge to execute processes efficiently, using the right technology and tools to execute the organization's strategy. Each one of these areas—strategy, people, process and technology—should not only be optimized, but also should align to one another to achieve maximum benefit for the organization.

THE FOUR S's



One of the ways to optimize processes is to use the Four S Methodology: Standardization, Segmentation, Sourcing, and Streamlining which we call the Four S's. The Four S's are about creating the capacity to maximize productivity of your staff, enabling profitable growth.

STANDARDIZE – Standardization of ad hoc workflows reduces variability and complexity and improves measurement and management of data.

SEGMENT – Segmentation is about understanding the profitability of accounts and allocating resources accordingly. This is to ensure that you're not over-servicing some accounts and underservicing others.

STREAMLINE – Streamlining removes waste out of processes to ensure quality the first time with no need for multiple rounds of fixing, correcting and troubleshooting. It's about affirming quality while reducing time spent on unnecessary work.

SOURCE – Sourcing is about directing the right work to the right person, so people are focused on what's core to the business.

THE FOUR S's



Most work contains between 50 and 70 percent of wasteⁱ

OPTIMIZE OPERATIONS

Transitioning to a strategic approach for your operations isn't easy and does require external expertise and support in most cases, but the benefits are well worth it. In well-documented research by Toyota, they found that across all industries, most work contains between 50 and 70 percent of waste. The Four S's above work to eliminate that waste, thus increasing productivity and profitability, but it's only one of the methods used to optimize processes within operations.

When you start taking a broader view of operations, one that aligns strategy to people to processes to technology, business runs smoother, more efficiently, profitably and with greater satisfaction for all—employees, customers and shareholders.

To learn more about how your organization can transform its operations to support profitable growth with ReSource Pro, visit resourcepro.com/eb.

ABOUT RESOURCE PRO

ReSource Pro brings to the insurance industry tools, technology and strategic services that enable profitable growth through operations excellence. Headquartered in New York, ReSource Pro's global service centers address client operational needs around the clock. Recognized as an industry thought leader and listed as one of Inc. 500/5000 Fastest Growing Private Companies annually since 2009, the company is renowned for its focus on innovation, service excellence and trusted partnerships, and its unique productivity platform for insurance operations. Over 3,000 ReSource Pro employees provide dedicated support to more than 300 insurance organizations, consistently achieving a 97% client retention rate for over a decade.

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