



SHIELDS BROKERAGE PRESENTS

7 Keys to Success in the Small Group Market



“ *Entrepreneurs and their small enterprises are responsible for almost all the economic growth in the United States.* ”

— Ronald Reagan

The first thing we have to define is “what is a small group”. Speak with an insurance company and they might say the small group market is an employer with under 250 lives. Most companies would say the small group market is the under 100 life market.

The 2008 census found that out of the 27 Million business firms in the United States, 17% had fewer than 10 employees. Also from the same census data only 4.2% of business had between 10 and 99 employees.[1] The disconnect between what insurance carriers consider “small” and the actuality of the market is the opportunity for brokers to expand their practice. The under 10 marketplace is as diverse as your drive to the office in the morning. You drive by the small tech company, the coffee shop, the repair shop. Many of these are family businesses that have been around for decades. These businesses may be small, but would love to be treated and have access to the same benefits a large business has. You may have ignored this market and assumed that it was being handled by a Group Specialist. You would be mistaken.

The Group Specialist drives by too. Group Specialist can be broken up into a few categories;

- » **25+:** Many group specialist brokers have their sights set on the 25+ person group.
- » **The Medical Benefits Broker:** Many brokers are the health specialist. They assist the group select their options for their health benefits and may also assist with options for dental insurance. Often

the medical benefit broker doesn't discuss the other benefits that the over 10 market desperately wants. They have the tough job of minimizing the blow of a Medical plans annual rate increase while navigating claims and utilization problems for the group. With the small employers the Health broker is a surrogate HR manager.

- » **The Voluntary Benefits Broker:** They are writing voluntary benefit packages. They sit down with each employee and enroll the group. They may offer accident and cancer plans along with the group life and disability plans. They are looking for the larger groups that make the time and cost of individual enrollment worth their effort.

The 2-9 group is left underserved. How can you reach this market?



Become a Resource for Ancillary Lines - For years, many group and individual brokers focused on medical sales, with all ancillary/ supplemental sales being an afterthought. A strategic-thinking broker that understands what is happening to their medical commissions should start learning and selling every appropriate non-medical product possible. Brokers selling such products are about to become very popular. What products will be hot in the next couple years? Group insured ancillary products of all



kinds will continue with consistent growth. This will include the standards of dental, life, disability, vision, as well as voluntary worksite plans like accident and critical illness.

Offer Family Business Coverage - While many small businesses are family owned or are even made up of only family members, many carriers in the ancillary market will not cover a group that consists of more than 50% related members. Make sure your carrier will cover these groups! Often, the most important concern of the business owner is covering their family. Doing so on a group platform is usually more cost effective than purchasing individual policies and can be done as guarantee issue as well. Even in cases where an industry may not be eligible for coverage, the white collar owners and officers (often the family members) can be carved-out. In some cases, even family businesses that are run out of the home can qualify.

Take Advantage of Guaranteed Issue Coverage - Some small business owners may have given up on finding life and/or disability insurance for themselves on an individual basis due to health conditions that would prevent them from qualifying. Life agents often don't consider exploring a group option, thinking that the group is too small to qualify for guarantee issue or because they are just unfamiliar with the group benefits market. Guarantee Issue life and disability insurance can be issued to groups as small as two with life amounts of \$50,000 available from some A rated carriers. This too can be done on a carve-out basis if desired, with the owner covering him or herself and as few as one other person based on an eligible class



distinction. Long term disability will even offer 24 hour coverage to owners and officers that have waived off of the group's workers comp plan.

Use Easy Issue Group Products to Open the Door to Individual Opportunities - Writing group ancillary products puts you in the position of working with successful small business owners. Individual life, business overhead, long term care, property/casualty and financial products are all needs that you can address now that you have established a relationship with the employer. Use simple, affordable, guarantee issue plans as a gateway to more sales in your current market.

Offer Class Carve Outs - *You don't need to cover the entire group.* Coverage can be carved-out on an occupational basis- covering just the employees that need a specific set benefit. Higher wage earners within a group (owners, officers, management) may not have the need to cover themselves for short term disability insurance, opting instead for long term disability coverage, while the remaining employees need the more immediate short term protection. You can accomplish this by changing the eligible classes for any line of coverage. You can have different eligible classes for each line of coverage within a group.

Sell the Need to Protect Their Business by Protecting Their Income - For small business owners, experiencing a disability can not only spell the end of their ability to operate their company but also provide for their families. According to the Disability Management Sourcebook, severe disabilities have increased 400 percent over the past 25 years from the

age of 17 to 44. Before age 65, one in seven people will become disabled for five years or more. While health insurance will help to cover most or even all of their medical bills, it won't replace their income as a small business owner – nor will it help to make sure that the business continues to run in their absence and that employees can continue to be paid until things return to normal once again. Small business disability insurance is smart business, and is one of the keys to managing a business owners financial risk.

Don't Overpay for Dental Insurance - *Buying group dental insurance is a smart move for small business owners.* Studies indicate that benefit extras like dental insurance plans pull in and keep high-quality employees. If your client doesn't offer dental insurance at their shop and their competitor does, chances are that, everything else being equal, prospective employees will choose their competitor's shop. With employers already dealing with the increasing cost of health coverage, savings on a group's dental plan can not only provide some relief, it can free up dollars to purchase





other benefits such as life and disability coverage. Dental Insurance benefits are generally limited to \$1000-\$2000 per covered employee annually. With individual premiums in some areas approaching \$60 or more per month, the actual value of the coverage becomes greatly diminished. While some business owners may ask for the carrier with the most recognized name, there are many carriers out there that offer top quality coverage for as much as 50% less than the highest cost plans. It pays to shop dental. If your group is in an area with a strong network of providers, a MAC (maximum allowable charge) Plan can lower cost considerably. The plan pays network providers the pre-negotiated rate for covered services, lowering the employee's portion of the bill and reducing the monthly premium by as much as 35% in some cases. If a carrier does not have a network presence in your area, don't dismiss them as an option. Indemnity plans let your client go to any licensed dental provider and pay them based on the usual and customary charge for any covered service in your area. Look for plans that pay usual and customary at the 90th percentile. This means that they pay based on a schedule of what 9 out of 10 providers in your area charge for services. This reduces the chances of balance billing for the insured. Quality indemnity plans are often overlooked by agents who have become accustomed selling plans based on a providers PPO network.

Statistics of U.S. Businesses[1]



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