

BenefitMall - Commercial Insurance Broker at Ferguson & McGuire

Interview conducted on November 02, 2022

Topics

Commercial Insurance Brokerage, Property Casualty Insurance, Customized Plans, Cost Containment, Technology, PBS, Enrollment Firm

Summary

During a conversation between a Tegos Client and a Commercial Insurance Broker at Ferguson & McGuire, the broker discussed their firm's background and current role, which includes handling personal accounts, commercial sales, and life and health referrals. The broker emphasized the importance of offering multiple plans to fit the needs of employees and providing consultation and relationship-building. They also discussed cost containment and control, pricing in the industry, commission rates, and client service aspects. The broker uses a proprietary enrollment system that allows for automated text and voiceless voicemail to employees, an app for viewing benefits and scheduling one-on-one consultations, and real-time reviews of enrollers. The broker also discussed the differences between their firm and larger companies like USI, Gallagher, Aon, and Mercer, stating that technology is the key differentiator. The Tegos Client inquired about the cost of the software, which costs about \$1 per head per month, and the compensation for BenefitMall, voluntary benefits, and PBS. The broker explained that PBS is more expensive than the enrollment firm because of the live data feed, which is useful for COBRA administration and getting adds, changes, and deletions taken care of. The broker also mentioned that the market is changing, and people are coming up with their own branded programs that look and act like Anthem or United, but have their own networks.

Expert Details

Commercial Insurance Broker at Ferguson & McGuire. Reporting to the Owner, the expert is responsible for commercial sales, mid to large-group sales, and client customer service. The expert is responsible for the benefits administration and implements health benefits and group products. The expert is responsible for selling health benefits to affiliates and finding the right markets for them.

Q: [Brokers/consultants] Can you speak in great detail about the health insurance benefits market? Please briefly specify.

A: Yes, I can speak to this. My role is in the small and mid-market groups. The market is ever-changing and I can speak to how it has developed over time. We are seeing on the health side a greater number of companies being broker driven especially in New England. Brokers are beginning to brand their own insurance programs as well.

Q: [Brokers/consultants] Can you speak in great detail about the profile, needs, and problems of clients seeking advice from health insurance brokers? Please briefly specify.

A: Yes, I can speak to this. I can speak to the smaller clients and how the rising cost of HSAs has caused clients to lean more on brokerages.

Tegos Client

Hello. Thank you for taking the time to speak today. I am conducting some research to better understand how the client relationship works between the broker and the employer. To start, could you give a quick overview of your background and your current role and responsibilities?

Commercial Insurance Broker at Ferguson & McGuire

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Yes, absolutely. I'll go back to when I started in the insurance industry. I was working with Aflac Benefits. That's how I got started in the health industry. So I've covered all lines pretty much since then. Aflac was just the beginning of my insurance career, bringing in from large groups to small little mom-and-pop shops. Doing the enrollments, employee briefings, employee meetings.

And then I also rounded out my licensing by getting my property casualty license. So, not only just doing the life and health, also doing the property and casualty. I worked for a few different firms, I went and opened my own firm for a while. That was acquired by a larger firm, I took a one-year hiatus because it was noncompete. And now, I'm back in insurance, it's been a good 19 years.

So I've had direct appointments with all the carriers on the health side. I've worked with larger firms that have had multistate and national accounts. I'm pretty well diverse when it comes to the health side, the implementation side and even the small group and life and health and property casualty. So I'm 100% in insurance.

Tegus Client

That's a great background. Could you give me an overview of your current firm? How big are you, how many employees, how many clients, et cetera.

Commercial Insurance Broker at Ferguson & McGuire

Yes. In the current firm that I'm at, we're primarily a property casualty agency. We have 50 current employees, over \$100 million of written premiums. And we have two business models. We have a self-containing branded model, and then we also have a model where we have affiliates that jump on board to our network to access carriers and fulfillment that they weren't previously able to get without joining our network.

In that role, I handle my personal accounts, commercial sales as well as I receive and maintain all life and health referrals that come through our vast network of agencies and/or employees. So I work with all of our groups that are in health insurance or life insurance.

Tegus Client

Great. And on the health insurance side, how many clients does your company have? And typically, what's the size of the employer?

Commercial Insurance Broker at Ferguson & McGuire

All the policies run through my separate individual company, and then I pay the firm back a commission for it, just to keep the licensing separate and tracking of it separate right now. So, we probably have about 50 blended clients between my current clients that I've had throughout the years.

And then the client center referred over through Ferguson & McGuire. Most of the clients are small group, between 10 to 50 employees. That's kind of where we're at right now with our wheelhouse. I mean we have a few 75 and 100, but nothing on the large national scheme, but I'm very familiar with it, still.

Tegus Client

What are the primary areas of value prop that you offer for your clients? Hopefully, this entire conversation will be more around the health and benefit side rather than the PMC side. What would you say are the primary key points of value prop that you're delivering to your clients?

Commercial Insurance Broker at Ferguson & McGuire

Let's back up for two years, before COVID. The value adds were really just the customer service that you brought in. The enrollment services were pretty much a face-to-face enrollment services. But now, the value add was really hybrid enrollment services and offering the ancillary products that support the group health through payroll deduction. Having the group life insurance, the group voluntary benefits, discount cards we've associated with for prescription discount cards and discount purchase programs.

So those are some of the value adds that we've been adding. But really, the value add became the one-on-one enrollments. Virtual enrollments was huge, where you can come into a group and the employees really can schedule at their own leisure during a week's time to sit with a one-on-one counselor. That's really changed the whole dynamic of the value add. Paperless enrollment, live feeds directly to the carriers. So your employees can do adds and changes in pretty much real time. That's been a huge value add.

Tegus Client

When you're pitching to new clients or trying to retain a client, what are the key things that you pitch them on to differentiate yourself so that you could retain that person or win that new business?

Commercial Insurance Broker at Ferguson & McGuire

Our industry only has a few carriers that's been kind of almost just going to the spreadsheet. You're spreadsheeting clients. Here's the quote. Here's what it is. But I don't really do that anymore. It's more of learning and understanding what the needs of the employees are and offering multiple plans to fit the needs of the employees.

For instance, I have a trucking operation that I work with. They have 60 employees. Some of their staff don't make as much money. For a full health program, they're skeptical of getting on board. So, what we did at that location is we worked with the employer and offered two offerings. And we came in with a mini-med program.

It's not a full-blown health program. We just came in with some carved-out programs to help facilitate some discounts and some hospitalization coverage for the employees that were making a lesser wage that might not have wanted to get on the health plan. Or even some of the younger employees that they feel like they're invincible.

It's more of fitting the needs of the clients and not really trying to shove a program down their face or something like that. So for me, the sale is more of a relationship and consultative approach than really just being a commodity. And then for me, I'm not opposed to firing a client or not working with them if they look at us just as a transactional type.

Tegus Client

So the commodity element that you just mentioned, what specifically is that? Is that just comparing different offers from various carriers? What does that mean?

Commercial Insurance Broker at Ferguson & McGuire

Yes. So the rates are pretty much the rates. Why shop each broker they're like, "Well, I'm going to get another price from somebody else." Well, the prices are the prices. So you've got to shop the agency and interview them to see how they're going to perform for you and your employees.

Not the price of the program, because all the prices are the same. We all have the same rates to go to. Now I could tell you that right now, it is a little different because there's a few programs that are coming out there where people are buying into larger health networks, doctor's networks and starting to co-brand their own programs, which is really cool.

That's what I love about it is that somebody is seeing that portion of it, and buying into the networks, buying into the Rx programs, and really piecemealing and building their own almost new health care program. So that's really been coming, what's going on with part of the industry. But to get back to the value add, it's a consultation for me.

And the relationships. Here it is pretty much a very broker-driven market, and it's a lot of it is a relationship. Out West, it's a little different, even in the Midwest and down South. If you can get people to turn or change much quicker than up here. They're more skeptical to have somebody new come in, and at some point, they are very loyal up here, too.

Tegus Client

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So I think what you mentioned with regards to value prop is different from what you mentioned in terms of trying to retain and win new business. For value prop, you talked about, the value you deliver is customer service with regards to enrollment services and doing one-on-one enrollment, virtual enrollment. I would have thought that your value prop is also what you sell to your clients. But what you sell to your clients, it sounds like it's more of custom plan design to help a specific client get the right program they need for their employees, which makes a lot of sense, but why are they different?

Commercial Insurance Broker at Ferguson & McGuire

I don't dwell on the enrollment, and I bring it or focus on it. I will focus on it if it becomes a competitive situation of saying, not only do we help you build your program, cater to you and your employee needs, it's really a la carte-ish. But not only are we doing that, I'm offering the enrollment services, one-on-one and leaving an HR benefit platform behind.

So those are the value adds that I will throw in if it becomes a competitive situation. So I will mention and say, "Hey, look, I know your broker is not doing what I'm doing. I know they're not." And nobody is doing it for free. So as for me, I know that nobody is offering the services that we're bringing in, especially in the first year, offering it for free.

Because of my partnership with the enrollment firm and my long-term relationship with them, we've gone to the carriers that, "Hey, we're going to put you on our platform. We want you to subsidize the data feeds. We want you to subsidize the back-end support and give us a per head amount, per dollar per head for the enrollment, and we'll let you on the platform for that."

I can go in and offer that better than anybody else can, on a nationwide schedule. So that's really the separator of what I do than what anybody else does. And to my unfortunate thing, I haven't scaled that, but the firm that I hooked up with has scaled it to the event, where they're landing \$20,000, \$30,000 employer groups.

Tegus Client

You mentioned about how the rates are the rates from the carriers. And I think you suggested that brokers sort of get the same rates from carriers. Is that right?

Commercial Insurance Broker at Ferguson & McGuire

Yes. So when you're working in that 50 and under, the rates are what they are. I mean it could take an agent to look for a different product that those companies offer, the rates are filed with the state. And whatever the rate is the rate is. When you get above that, you can do a level-funded or self-funded program. You could look at different composite rates. And then they also look at the medical loss ratio to devise rates and offerings. So that 50 and below, the rates are the rates for the most part.

Tegus Client

And do you know about for large employees, the employers with thousands of employees, is it more customized? Do you see a big variance? If broker A and broker B take the same plan and go to United or someone, United would give them the same rate?

Commercial Insurance Broker at Ferguson & McGuire

Yes, believe it or not, you would be able to block out broker one versus broker two. So when you get to that larger group, there's so much work involved in underwriting that they don't want to see multiple submissions for multiple brokers. So, it's really the first one in is the first one to get the quote. Now if you go in afterwards and then the carrier gives you quotes, once they release them, they can't change them on the Street. So once they release their rates, they can't change the rates. Unless there's a complete material change in the actual application, which doesn't happen.

Tegus Client

I would have thought that one of the primary areas of value that a broker brings is cost containment and cost control. Is that right?

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Commercial Insurance Broker at Ferguson & McGuire

The cost containment and the cost control is working with the client on tolerance levels of bringing in different deductibles and also what the employee is willing to fund for the employer. And then bringing in programs like a voluntary program of Colonial and Aflac, a hospital program to offset some of those higher deductibles for the employees. So give you an example, take a small manufacturing company that's trying to save some money.

And they go to a higher deductible, but they take a portion of the money that they're saving by going to a high deductible, they fully fund a certain amount on a monthly deduction for their employees to purchase voluntary benefits, hospital plan, that could cover that \$5,000 deductible or \$10,000 deductible that they moved up to. So there is some cost containment, but it's really within the broker using various products to fill in the gaps.

Tegus Client

And can you explain, what does it mean to move to a voluntary program or a hospital program to offset the high deductibles? I'm just not familiar with that.

Commercial Insurance Broker at Ferguson & McGuire

Okay. So just take your typical PPO. So you got a traditional co-pay plan, where somebody pays \$40 every office visit, \$80 for any specialists. But then if they're hospitalized, they start going through a deductible, let's say, a \$3,500 deductible. So the minute that you're hospitalized, there's a voluntary benefits program that's just like a hospitalization program. So, if you're hospitalized from day one, the employee will get a check for \$3,500.

And then every subsequent day that they're in the hospital, that program still pays out. And it's per occurrence, it's not per policy. So you can go to the hospital for one event, get released, come back out. And then have to go to the hospital for another event, and then you would get paid again. So even if your deductible would be fulfilled with the health carrier, you could still get paid from the voluntary benefits company.

Tegus Client

Yes. So what you're saying is you can work with your client, gauge their expense appetite and risk appetite. And for the ones that want to save money, you can recommend a high deductible plan, give them some savings and they can spend part of those savings on these voluntary programs to ensure some of the risk on behalf of the employees. So, the employees don't lose too much money if they run into something. That's like a strategy thing that you do. Is that correct?

Commercial Insurance Broker at Ferguson & McGuire

That's where the broker comes into play, just by years of experience and knowing how to help us.

Tegus Client

So for your clients, how do people shop in this industry? So you mentioned it's highly relationship-driven, I understand that. That's clearly important. But when an employer is trying to look for a new broker and they're talking to you, they're talking to a couple of other folks. What are the primary things they look for? If you would say the top three things that they want to see.

Commercial Insurance Broker at Ferguson & McGuire

Yes. Price is a portion of it. So price is definitely a very good part of it. Because insurance could be up to one-third of an employee's budget. So price is definitely part of that driving force. Access to carriers would be another one. You want to make sure that when you're shopping at a broker that just doesn't have Anthem in their pocket and that they have the other three or four companies in the area.

And I really think they're experience. When the employee or employer shops, it's not like shopping a home and auto product, where they could just go online and put their own information in and kind of get a rate spit out. You have to kind of go through a broker. Whether it be a small firm or a nationwide outfit, you got to go

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through the broker to get the rates.

Unless you're dealing with individuals, that's completely different. They can go on a state exchange or you can go on some of the carriers direct and get quotes. It's really still primarily a broker-driven market. But you can go to the carriers, even for small group, you can go to the carrier direct. They still support the brokers, which is nice.

Tegus Client

You mentioned price first. You said it's one-third of the employer's budget. What do you mean by one-third? Is that one-third of payroll or one-third of what?

Commercial Insurance Broker at Ferguson & McGuire

Operating cost. I mean there's a good portion, where you look at the property and casualty, the workers' comp, health insurance, it can get up to almost a good portion of their operating costs. one-third of it.

Tegus Client

Yes, is that health insurance or for everything together?

Commercial Insurance Broker at Ferguson & McGuire

All the insurances together.

Tegus Client

And so what is the pricing in this industry? So for an average client of yours, what are they paying you?

Commercial Insurance Broker at Ferguson & McGuire

So you mean on the commission side or what are they paying for. A younger person would be \$400 or \$500 a month. And somebody in their 50s or older, 60s, could be from \$1,000 to \$1,400 a month. So that's really where the spectrum ranges for an individual. I wish I had a quote right in front of me. I just worked on a small, little 15-person group. And that's probably really right where the range is. That's why you want to get employer participation to contribute to that health care program. That's why we want to see 50% participation. So they want the employer to be funding at least 50% of the employees program.

Tegus Client

And what about the commission that you get? How does that work?

Commercial Insurance Broker at Ferguson & McGuire

When you're like 10 and below, it's like \$25 a head per month. And then once you start getting into larger stuff, it could be up to 5% of the total monthly premium, and those are paid monthly. That's just on the health stuff. On the voluntary stuff, it's all different.

Tegus Client

Tell me a little bit about the client service aspect. I'd be surprised if you're doing all of the work yourself for each client. Do you have a team of people in various roles that do the day-to-day blocking and tackling? Or are you handling it yourself?

Commercial Insurance Broker at Ferguson & McGuire

I'm a one-man band because of the technology. But I have technology that supports me a lot. And a lot of the carriers themselves now are doing the customer service. It's pretty much more of an e-mail to get somebody assistance or a quick phone call. But the adds and moves and changes are directed right through the ben admin system that's left behind.

So notification sometimes will go on a new employer or a new hire. The employer will go in and register the new employee. And once they hit enter and e-mail is received by myself and my enrollment firm, and the

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enrollment firm will pick up the ball, go out and schedule a time to meet with the new employee.

Go over all the benefits that are offered, collect all the signatures. And then the feed is sent real time to all the carriers that are involved. And then the payroll deduction is also sent to the HR department. So a lot of times, if it's not coming back for the renewal, the service work isn't that hard.

Some of the service work lately has been there's a new vision and dental carrier out there, so to get somebody's dentist or eye doctor put on this new network. There's a little bit of service work with that. But there hasn't been a tremendous amount of service work because of the tech that's out there now.

Tegus Client

Yes. When you say tech, is it a bunch of various solutions that are sort of pieced together? Or is it a single workflow software tool that you're working in every day?

Commercial Insurance Broker at Ferguson & McGuire

So the enrollment firm that I have the relationship with, it's their system, and then their system talks to the carriers directly.

Tegus Client

When you say their own system, is it proprietary, they built their own? Or is it a third party?

Commercial Insurance Broker at Ferguson & McGuire

I can explain kind of how the system works. So the enrollment firm started out of the need for voluntary benefits to get more penetration into companies. So my friend, who designed and put this program together used a lot of his knowledge from the voluntary benefits realm to get that done, with some relationships that I helped him get on the broker carrier side. It's almost like an Uber for benefits enrollment. It's actually a cool platform. So the platform, from start to finish, we'll send automated text and voice-less, ring-less voice mail to all the employees with a welcome letter or welcome voice mail from the HR Director or the President of the company.

And then it gives them an app where they can go in and view what's offered and schedule with a real-time benefits consultant a one-on-one at any time that they can pick through their calendar. And they can actually scroll through and find a benefit consultant that is either in their area or they feel more comfortable with. And all the consultants on this program have real-time reviews.

So, every time that an enrollment happens, somebody will get an e-mail and say, "Hey, we'd like you to review your enrollee and give them like a star rating." So the enrollers are very versed or licensed in every state in the union. And they're also educated before the enrollment on the benefits that are offered and any other communication that the employee wants to disseminate to their employer wants to disseminate to their employees.

So it's really a pretty cool platform. And then again, we leave behind the HR benefits platform, providing they're still offering the benefits through me or our partners, then they're allowed to keep the platform for free. So the platform, again, allows them to do that real-time feed. Allows the employee to go in and look at a benefit statement or even go in and ask questions about their services.

Or look up doctor locations or anything that they need. So it almost puts the service work back on to the employee. It's through the app. It's really cool. So I don't know if that helps you out. Yes, so it's a pretty powerful program because it's a hybrid of, you can do a self-guided enrollment. I could do one-on-ones in any state or we can do via Zoom-type enrollments with people that don't want contact.

Tegus Client

So you will partner with an enrollment firm to handle kind of the day-to-day blocking and tackling for your employer groups whose employees need to enroll, ask questions, et cetera. And they could do that in an automated way through the software tool. And so that way, you don't have to do it anymore, right?

Commercial Insurance Broker at Ferguson & McGuire

Yes. So a lot of the service work is taken away from me.

Tegus Client

How much do you pay for this software?

Commercial Insurance Broker at Ferguson & McGuire

Typically, on the back end, it's about \$1 a head a month. But again, I get the insurance companies to give us some tech credits on the back end to pay for it. That doesn't affect or take away from commissions. And it benefits them because using the program and the enrollment firm, we got larger participation than you ever would. I had a group, you might have 25%, 30% penetration. By going through with this, you're getting 60%, 70%, 80% penetration into a group.

Tegus Client

Versus how much otherwise?

Commercial Insurance Broker at Ferguson & McGuire

You could get 40% to 50% on even just the ancillary products. And the education, I mean, these people are getting one-on-one education. So instead of being in a group setting or in a room, they ask personal health questions to cater to themselves and pick the plans that will help them. So yes, I mean we're getting larger participation. But we're also helping the client in the event they have to use it or have a kind of traffic event. We're protecting them from bankruptcy or just easy bills coming in.

Tegus Client

So this is not exactly a pure software company because it's software, but then you said it's Uber for benefits enrollment. So it's software plus they have a ton of staff on call to do these one-on-one meetings.

Commercial Insurance Broker at Ferguson & McGuire

Yes. So what we utilize, in the beginning, we started with Aflac agents and signing them up to be certified enrollers. So the workforce was at the fingertips already. And a lot of times, it's a revenue share on the enrollment with the enrollers, only on the voluntary, not on the core benefits. Or we could go to a business model where you pay a certain set amount per each person signed up. And that comes off the agent's commission onetime.

Tegus Client

And when was this enrollment firm founded, roughly?

Commercial Insurance Broker at Ferguson & McGuire

About 2018.

Tegus Client

Okay. And was it a startup?

Commercial Insurance Broker at Ferguson & McGuire

Yes. Total startup. Again, a very good friend of mine, knowing where the deficiencies were in other enrollment firms, the short sighting of other enrollment firms and relationships that we had with big time health care TPA firms that allowed us to get some access that we probably wouldn't be able to get if we didn't know about it.

Tegus Client

Could you share the name of any of the competitors or comparable enrollment software companies?

Commercial Insurance Broker at Ferguson & McGuire

Well, ADP will do their own enrollment through their platform, which is decent. But again, there are so many fees involved with them. You just get feed to death. USI has their own firms. They'll do their own health enrollment firms. Marsh, they have their own firm. So, a lot of the big alphabet soup warehouses, they have their own firms.

Tegus Client

And so I understand that now you can automate the day-to-day servicing. But when it comes to the renewals, when it comes to advising the client on constructing the plan, is that a lot of work and time?

Commercial Insurance Broker at Ferguson & McGuire

Yes. So that's a lot of back and forth. That's a lot of meetings of going over what the current plan is, when it comes in, and looking for options. And then getting that you have, a complete census filled out. Still have to send it and get it updated. It's tough. After the landing of the client, there's definitely a lot of work involved after.

Tegus Client

Okay. Is there a quick way to explain the difference between what you're doing versus what a USI is doing? USI, Gallagher, Aon, Mercer, those companies have teams of like 10 people per client. They don't even mention anything about benefits administration and enrollment firm and that automated process.

For them, I think what consumes their time is kind of proposals, plan designs, benchmarking. And then they do a ton of client service work as well. But it's a very heavy lift. Whereas for you, I mean, obviously, your clients are small. 10 to 50 employees, and you're handling all of them by yourself. So can you explain kind of the key differences?

Commercial Insurance Broker at Ferguson & McGuire

Technology. I partnered with the appropriate people to help automate some of that, where I hooked up with a GA, I can get their BenefitMall. And so I use BenefitMall for my access to carriers, even though I can have it direct. But it doesn't take out of my commission. So I use them as is.

I could have it direct if I wanted to, but I use BenefitMall because they get an override commission that doesn't take away from my commission. And I'll suggest looking at different ones and narrowing it down with the clients, and they receive the renewals. So then I get a notification that a renewal came in.

And then I'll look at the renewal and talk to the carrier based upon whatever the increase or whatever the rates came back, asking if they want to move plans or not. Typically, around here, a lot of the smaller employers like to be with Anthem because of the access to the doctors and hospitals in the networks. So a lot of people, they'll take a smaller rate increase and stay with the same carrier. So a lot of that work is taken away.

And then you have some people, every year, they want a rate shop. And again, I utilize BenefitMall, and then my relationship with another brokerage firm, that's really a TPA, to help me get some of that stuff. So that's really where my team comes from. And then my team also comes from the enrollment firm. So there's a lot of work that goes on, but I'm trying to farm it out for giving away a little bit of an override or a share commission.

I use this company called PBS, Progressive Benefit Solutions. And they're very good, and they help out with some admin as far as HSA cards. So they own a HSA card, the Benecard, so I use them for the HSA Bank. And then I also utilize them for the direct carrier feeds between myself and the enrollment firm. So the enrollment firm uses PBS for that stuff. So again, it becomes my support team.

Tegus Client

You're a customer for all these three different firms? I'm trying to understand, what are the primary reasons as to why you buy something. Maybe there's a lot of solutions that want you as a customer and maybe you get pitched all the time to partner with different people.

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Commercial Insurance Broker at Ferguson & McGuire

Yes, we do.

Tegus Client

And so ultimately, a lot of those pitches fall flat. But these pitches stood out to you. What are the things that you value that help you?

Commercial Insurance Broker at Ferguson & McGuire

The support that I get from BenefitMall is huge, and the constant contact from them. I mean, they're always reaching out, asking if I need help, if somebody needs something. I mean they're constantly reaching out. And the ease of use is great. I didn't have a relationship with them previous, but I used an older GA that didn't have technology.

And I realize that with my relationship with the enrollment firm, that tech is really driving the insurance industry like tomorrow that you have to embrace it. So that's when I moved to BenefitMall because they're embracing the technology as well. And they have a much larger team than the older GA that I was with. So when you have more people looking at it, there's possibility for better solutions to service the client and help the client.

My relationships with PBS and the enrollment firm are just because of the long-standing relationship with them, that I've known them for 10 to 15 years and they've embraced tech, too. So they're not just the old insurance model of build a book of business and sit on it forever and never change. They're ever-changing. So we're constantly looking for new.

Tegus Client

Yes, I get that they give you a lot of support and the ease of use. What would you say is the business objective or the business problem that these firms are solving for you? At the end of the day, in your mind, it translates into an ROI.

Commercial Insurance Broker at Ferguson & McGuire

And they're allowing me to multiply myself without having to support the staff right now, because technically, even though I've been in the health industry for quite some time, at Ferguson & McGuire, where I currently am, this health thing is a complete startup. So it's easy for me to use them because I don't have to use any money from our company to support this.

So it's all taken off of revenue share, overrides and commissions, and we're still providing the best-in-class service that's out there. Will next year bring in an admin for me? Absolutely because I'm probably at the breaking point where I can't handle that much more. And with a couple of the other prospects that I have that could bring in five to six fold of revenue, we're going to have to staff up.

Tegus Client

And so can you explain how the funds flow? You said rev share, overrides and commission. In the most simplistic model, you would just pay a subscription fee to each of these providers, but it's probably not that simple. So can you explain the different models of payment? So how do you pay these guys?

Commercial Insurance Broker at Ferguson & McGuire

So the GA, BenefitMall, they provide access to the health insurance company and some group voluntary benefits that are usually supported and paid for through the employer. Because they're giving me the access to carriers, the insurance company gives them a general agency contract, and then allows agents like myself to get appointed underneath them.

And then they manage the appointments. And for doing so, they get an override whatever business that is brought through. So they actually get paid directly by the carrier. And then my commissions are not touched at all. So whatever the broker commission is, that broker commission comes directly to me.

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Tegus Client

The BenefitMall works for the carriers, and the carriers pay BenefitMall because BenefitMall does a good job of helping brokers like you get access to the carrier and their benefits. So ideally, the pitch to the carrier is, if they use BenefitMall, then BenefitMall can help them make more money. Because now, brokers can buy more of their stuff?

Commercial Insurance Broker at Ferguson & McGuire

Now you look at the voluntary benefits, the enrollment firm is getting a technology credit from the insurance company. And then the enroller, whoever enrolls somebody, I split a commission with them and myself. So it's a 70-30 split. So they get 30% of the commission, and I get 70%. And the reason we do that on the voluntary benefits is that the voluntary benefits typically pay a much larger first year upfront commission, and the trail is substantially less.

So that's why they're compensated that way. And then on the HSA card and the live feed data through PBS to the carriers, we use a technology credit from the carriers for the first year to offset that. Second year, if they renew, I will pay the second year of technology to pay for the live feeds and data feeds and the HR benefit system. So I'll pay that if the company renews.

Tegus Client

If the employer renews, right?

Commercial Insurance Broker at Ferguson & McGuire

Yes, if the employer renews.

Tegus Client

What's the tech credit? So carriers give you a subsidy? At the end of the day, I'm trying to get a sense of the quantity of compensation that each of these vendors get. So, take BenefitMall, for example. Per employee per month as like a sense. So you were mentioning how, for the smallest customers, you're getting \$25. For bigger ones, it might decrease as the employer group gets bigger.

Commercial Insurance Broker at Ferguson & McGuire

Yes, and it turns out to be about 5% up until like that group, 100. And then when it gets above that, it starts going down like a 3% and a 2%.

Tegus Client

Right. So is there an equivalent way to think about it for these? I mean maybe for the enrollment firm, you said it comes out to about \$1 per employee per month?

Commercial Insurance Broker at Ferguson & McGuire

Yes.

Tegus Client

What about for the other two?

Commercial Insurance Broker at Ferguson & McGuire

So for the voluntary benefits, the average person takes out about \$800 of product per year. And then it could be anywhere from 15% to 30% commission depending on whatever the product is. But if you can look off that \$800 per head, and then I usually use like an average of 20% commission, and then you would split that 30% to the enrollee, the agent and then 70% to the agent. And then for what I do in-house, it's a referral from our property casualty partners, then I will give them 30% commission off my side.

Tegus Client

What about for PBS?

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Commercial Insurance Broker at Ferguson & McGuire

PBS is also getting taken care of through the tech credit.

Tegus Client

Yes. How much did they get from that?

Commercial Insurance Broker at Ferguson & McGuire

I think they're anywhere between \$1.50 to \$2 a head. And when I use their GA which were free at one time, but now I don't use the GA, so they're not free.

Tegus Client

What does GA stand for?

Commercial Insurance Broker at Ferguson & McGuire

General agent.

Tegus Client

Okay. So why is PBS more expensive than the enrollment firm? And what's the value of PBS? Why is the live data feed useful? I can see why the HSA card's useful, but I don't quite get the live feed.

Commercial Insurance Broker at Ferguson & McGuire

The live data feed is great, and it coincides with the HR platform, the ben admin platform left behind. So the HR Director or whoever has access to it, PBS also administers the COBRA, too. So the COBRA is administered by PBS. So that's part of the cost. The PBS, as soon as somebody goes in and gets added or deleted, they are the ones to send the uploads to the carrier. The carriers charge them, too. So there's a fee associated with that on the back end.

And without them, a lot of the platform, it would take longer to get adds and changes and deletions taken care of and the COBRA administration. So that's why PBS is really a critical point. And the relationship to the companies, they're just phenomenal. They help the enrollment firm get out and get in front of this with multiple carriers wanting to get on board and support the enrollment firm. They've opened a lot of doors.

Tegus Client

Are most of your clients self-insured or fully insured?

Commercial Insurance Broker at Ferguson & McGuire

They're fully insured. On the health side, I haven't done a self-insured stuff in a while. But previous experience, I worked with all the Teamsters throughout the United States.

Tegus Client

Do you think that's also why, going back to the complexity question and time question compared to the biggest brokers. Maybe this is a huge variable component. Because when you're fully insured, you're just buying a bundle. So, when you buy kind of the all-in bundle, you go to market.

You reach out to the four biggest carriers, and you ask them for the rate, and that's sort of what it is. Whereas with self-insured, it's a la carte. And so you can break out all the pieces and then negotiate each of them separately. So, it's just not apples-to-apples. Can you comment on this?

Commercial Insurance Broker at Ferguson & McGuire

The self-insured side is your proposal process is usually four or five months before the renewal. I mean, you're working on that a lot. Yes, there's a lot more work involved in that, especially because you're going to carve out some programs, you can really cater that however you want. But yes, absolutely. And one thing I don't do is I don't work with municipalities.

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Tegus Client

Is there anything that I should have asked you that I didn't or that I should focus on?

Commercial Insurance Broker at Ferguson & McGuire

I really have seen in the past year or so the market's changed and going to more virtual support AI-type stuff, of virtual stuff and technology-based enrollments. But I do see now, with two people that came to me and because I have access to some larger groups and associations, that the market is changing. To really go out and compete against the Anthems, the Cignas, the Uniteds.

People are coming out with these programs, where they're really buying access into networks and bundling it as their own brand with concierge services and a la carte services for these employees. And then allowing people, like a chamber association or an auto dealership association to buy into this brand, brand it on their own and make a revenue share by selling it. So the market, years ago was kind of that way, but it's now going back to that. And it's exciting. It's really exciting.

Tegus Client

When you say people signing up for programs, what do you mean?

Commercial Insurance Broker at Ferguson & McGuire

So I have a friend that's been in the industry for a long time, in the health market. He insures nursing homes throughout the country, a ton of nursing homes throughout the country. And through his experience, he's now devised a program that looks and mirrors like an Anthem program, but it's his own branded program, where he's buying access into the network that the large four or five carriers are buying access into this network because of the size of his route.

And now, they're almost circumventing the carriers and coming up with their own program. And then last week, another person, through the enrollment firm, came and proposed a similar product to me that, again, it looks and acts and talks like an Anthem or United, but it's not. And has the same networks that they have.

Tegus Client

I think what you're talking about is building a custom provider network, is that right?

Commercial Insurance Broker at Ferguson & McGuire

Yes, you got it now.

Tegus Client

So a lot of people have tried that in the past, and it's been extremely costly and difficult to do that because you're basically trying to build a marketplace, right? You're trying to connect employers, which are fragmented, to providers, which are fragmented. And so how does one do that cost effectively? How does that work?

Commercial Insurance Broker at Ferguson & McGuire

So the one network is trying to use a concierge service, where everything is scheduled through a concierge, so you have to call the 1-800 number, and they will direct you and call and schedule your appointment for you besides non-emergency stuff. That one, I don't know if I'm 100% comfortable with. Because it sounds like a lot of hurdles for an employee to use the system. The other one that was proposed to me, it walks, talks and acts like a carrier. And it's easy. That one already has quite a few companies on and probably a few thousand enrollees already by the end of the year. So I think that one is probably going to work.

Tegus Client

Yes. So I think this has been an area of interest for a long time, but just no one can pull it off. So historically, these carriers, they've spent decades going around the country and getting as many providers onto their network as they possibly could.

Commercial Insurance Broker at Ferguson & McGuire

Yes. That's why everybody loves Anthem around here. It's the best.

Tegus Client

Yes. And so now, what you're telling me is there are people building kind of custom provider network?

Commercial Insurance Broker at Ferguson & McGuire

Yes, you got it.

Tegus Client

Okay. Thanks again for your time, really appreciate it. Bye.

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