
Payroll giants move onto agents' turf?

It's time to fight back

By Dan Sheridan

Inurance agents and brokers who serve the small-business market should keep an eye on the rapid expansion of large payroll companies onto their client base. For both benefits and property/casualty books of business, these payroll giants offer small businesses bundled payroll and human resource outsourced services—and direct writing of both benefits and property/casualty insurance. In this process, they are cutting out the role of the agent and broker as a trusted small-business adviser.

This threat is intensified by health-care reform, which promises to add complexity to small-business benefits plans through new consumer choices, new concepts and new accounting and tax rules. These implications have not gone unnoticed by large payroll companies, which promise to unravel the mysteries of this landmark legislation and take care of all the small businesses' benefits, human resources and insurance needs.

Do you have new strategies to fight these very real threats and take back benefits and workers' compensation business? You should. Your new competition already is positioned with your clients and the playing field is not level. Your agency should have a plan to compete more effectively; increase sales and find new alliances that will retain your role; and keep you whole financially.

Impact of health-care reform

It will take months to sort through the 2,500-page health-care reform bill and understand the complete impact it has on small businesses. But, it is safe



to say that small-business benefits plans will become more complex to administer, particularly with respect to new accounting and tax rules. For the first time, health-care benefits will have significant tax ramifications for small businesses, significantly increasing time and costs associated with administration and compliance.

As a result, small businesses will need help in understanding and administering these changes. In addition, it is likely that small business and consumers will have new options to access markets for their insurance needs—a role traditionally filled by the insurance broker.

Professional insurance agents and brokers who write benefits for small businesses will need to redefine their role. In addition to providing rates and quotes, and providing access to markets, agents and brokers must fill the role of an “employee benefits counselor” and guide their business clients through the new complexities.

Some agents and brokers will engage the systems and operational support needed to keep up with ongoing plan management required by health-care reform. Others will not have the resources to understand and communicate the legislation's voluminous changes effectively. The latter group probably will

see their small-business clients finding help elsewhere—from other brokers, professional employment organizations and, most notably, large payroll companies.

Payroll giants already have a foot in the small-business customer's door and have begun contacting small-business customers offering to do more than payroll—they offer take over all of their benefits and human resources operations and eliminate the role of the insurance agent and broker.

Threat to workers' compensation

These same payroll giants also pose a threat to the workers' compensation portion of your p/c book of business. They are set up as licensed agencies for "pay-as-you-go" workers' compensation products through nationally recognized insurance companies. In essence, they write small business workers' compensation directly and displace agents and brokers.



Show your true colors

Enhance your ad with the impact of color.
Call our sales representative at
(800) 424-4244, ext. 231.

Often, the incumbent agents and brokers may not be aware that they have been displaced until the client tells them that they "will *not* need a workers' compensation quote this year." Are you willing to give up workers' compensation and focus on the other p/c lines?

While workers' compensation may be just a small part of your overall book of business, its loss can mean the loss of future opportunity to sell additional products, and maybe just the beginning of an assault on additional lines within the your overall book of business. In fact, some of the payroll giants already have started to offer other lines including business owner's and package policies.

Allowing these new competitors to chip away at your business may have consequences beyond just the loss of certain lines. It can diminish your overall role as business partner and adviser.

Finding solutions

The idea of your small-business clients having their human resources, payroll, benefits and workers' compensation needs handled in one place is not, in itself, a bad idea. But, insurance agents and brokers need to be a part of the solution, and that probably means redefining your role so that you can defend your book of business. Here are three ways you can start defending yourself now.

1.) Strategic review. First, initiate a strategic review of your agency's overall positioning, its sales and marketing strategies, and its ability to compete along defined market segments. Are you taking into account the new threats to your business? Are you reaching your market segments effectively? What should you be doing differently?

Your strategic review also should evaluate your capabilities, including your technology, operations and human capital so you can see if you have what it takes to compete effectively for small-business accounts in today's market. Where are your resources weak? What operational areas do you need to address? How are you different from the competition?

2.) New alliances. Second, seriously consider new alliances. With the

increased complexities of health-care reform, together with the threats posed by large payroll companies and pay-as-you-go workers' compensation programs of large carriers, you may need a partner. For example, a PEO can provide small businesses with a complete employee management solution—health benefits, workers' compensation, payroll, human resources administration and more. And, there are PEOs that value the agent or broker partnership and will retain your role while keeping you whole financially.

In fact, PEOs can be an agent's or broker's first choice in understanding health-care reform and competing against payroll giants and other brokers. Together with the PEO, agents and brokers can provide their customers with the "total package" (i.e., a combination of high-level leadership, human resources support and sound tax advice, as well as thoughtful processes, leading edge technology and economies of scale). This type of partnership can help you provide the value-added services your customers need.

3.) Expand your role. Finally, you need to expand the traditional role you have relied on and gain more knowledge about small-business benefits and human resources. A PEO alliance can do that, but in any case, you must redefine your role and become a "small-business consultant," with the capabilities to give your business clients the expertise and guidance they need. You can begin today by communicating to your small-business customers what health-care reform means for them.

By recognizing the threat posed by large payroll companies, adapting to a new expanded role and seeking alliances that make sense for your business, you can thrive in the years ahead. So fight back now. ■■

Sheridan is the president of the Extensis Group LLC (www.extensigroup.com), the largest regional professional employer organization and human resource outsourcing provider in the Northeast committed to insurance agents and brokers as business partners.