

Selecting A Health Insurance Agent/Broker

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We are all too familiar with Minnesota Statute 471.6161 that requires public entities to bid insurance every sixty months unless they offer a self-insured plan. On face value this seems simple enough but as the cost of insurance has skyrocketed employers have impressed upon employees the need to share in these costs. Employers are looking to introduce plans such as VEBAs, HSAs and cafeteria plans to maximize the financial resources of both the employer and employee. As a result, the job of choosing a health insurance product has become very complicated. If your county does not have the internal expertise or the time to handle the myriad of issues that can now accompany "bidding" health insurance you may wish to consider retaining the services of a health insurance agent or broker.

Before looking for or hiring an agent/broker you need to decide what your needs are and who can best meet those needs. Are you looking for someone to only recommend a health care provider or are you expecting the agent/broker to resolve employee claim issues or coordinate issues related to your VEBA, HSA or cafeteria plan. Can they assist employees with issues that may have arisen from a claim? Always choose an agent/ broker who will represent your county's best interest when negotiating with a benefits carrier. Brokers develop relationships with the benefit carrier which often allows them to negotiate more efficiently on your behalf.

Health care costs are based on employee demographics (age, gender, frequency and severity of claims). Premiums typically include a standard commission of approximately one percent which is paid to the broker/agent. Like all business people, some agents/brokers will request a larger commission and some less. You need to ascertain the commission that will be paid to each agent/broker you are considering. You also need to compare the services they will provide. Compare the services to the commission to determine which is most cost effective.

When discussing commission consider the agent/broker's location. The convenience of having a local agent/broker may be important to you. Depending on the cost and the services they can provide simply having them available on-line or by telephone may satisfy your requirements.

You need an agent/broker that is responsive. Consider how long it takes the agent/broker to return phone calls and how many times he or she is willing to meet with you throughout the year. If you see your broker only at renewal time, you should question whether the fees you pay are worth the services you receive.

Consider linking the commission your broker receives to performance. Most good brokers will be at least receptive to this strategy. You will need to identify performance standards if this is agreeable to the agent/broker.

Following is a list of items you may want to consider when selecting an agent/broker:

1. Experience with public entities
2. Experience dealing with unionized employees
3. Qualifications:
 - licensed in the state to sell insurance
 - require a copy of their licenses.
4. Request references and check them out
5. Services. What services make them unique from other agents/brokers?
 - Location
 - How often they will meet with you
 - How they resolve employee issues
 - Method of communications (phone, email, snail mail)
6. List of clients and employee census of those clients
7. Commission

Periodically review your relationship with the agent/broker. Consider whether the broker is meeting your expectations. If you expected the agent/broker to assist in negotiations with the carrier or to help with employee claim issues and you find that you are handling all the issues, consider the future of the relationship. If you're unhappy with your broker, ask your carrier to suggest an agent/broker. While the relationship between the agent/broker and the carrier may impact the cost of coverage you have every right to insist that the agent/broker meet your expectations.

Your relationship with an agent/broker is not a one way street. Keep them informed as to operational issues or future plans for benefits for employees. Take advantage of their expertise. They may have some great ideas and experiences that can help you maximize county resources.

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