

Planning/Managing Health & Welfare Benefits... *BROKER OR CONSULTANT?*

Ensuring optimal health and welfare benefit plans, while controlling costs, can be a daunting task. Should you be working with a commission-based BROKER or a fee-for-service CONSULTANT? *Making a switch may generate significant savings!*

The larger your employee base, the more likely a consultant can help you maximize the scope and creativity of your health & welfare benefit plans while minimizing your plan expenditures. Here's why:

Consider the Differences:

	Broker	Consultant
HOW THEY ARE PAID	Premium-based commissions ranging from 2% to 10% of premium, depending on the group and the product. Paid as part of premiums.	Hourly or project-based fees. Hourly fees can range from \$50 to \$350 per hour depending upon the level of support required.
THEIR BACKGROUND	Sales.	Actuarial, underwriting, human resources or legal.
THEIR FOCUS	Selling products.	Solving problems.

Consider the Objectives:

Your objective is to control health and welfare benefit costs, yet a reduction in your costs (premiums) lowers your broker's commission income. **A consultant's objective is to add value, to help you save money -- not spend it!**

Consider the Options:

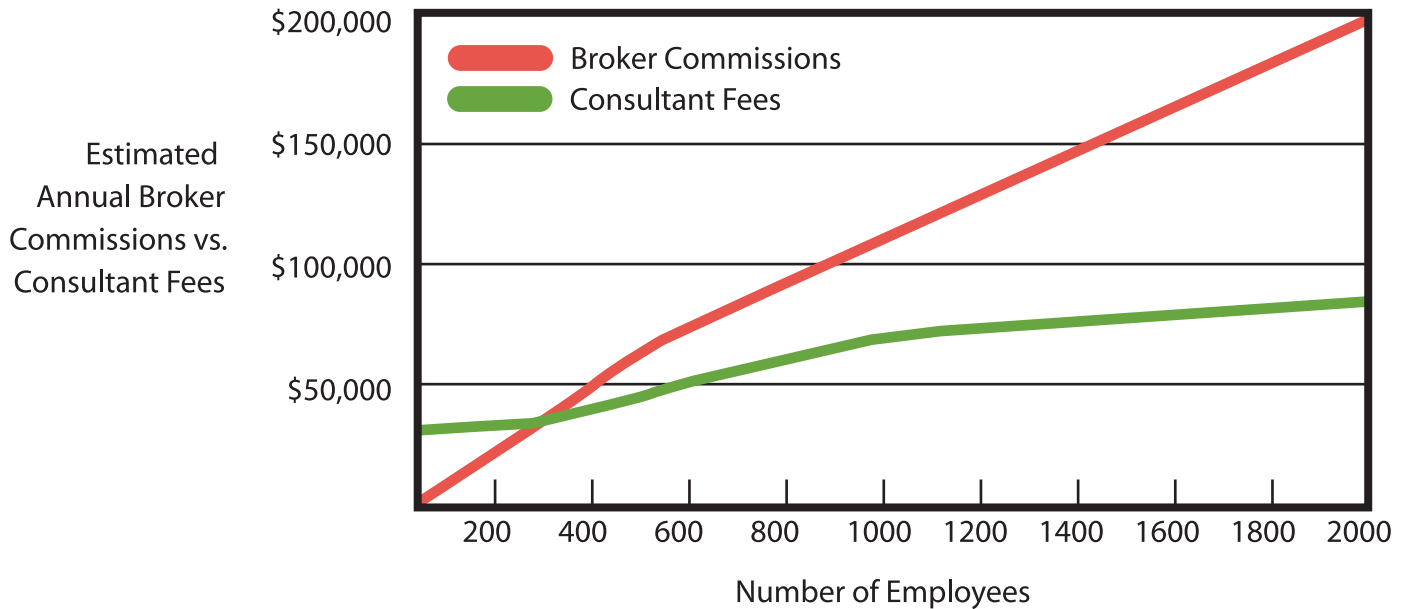
The scope and complexity of your available benefit design and funding options *increases dramatically* once you exceed 250 covered employees; you need to reach beyond the simple "let's go out to bid" approach to problem-solving.

Consultants are better positioned to help you take advantage of new:

- Approaches (flexible benefits)
- Products (point-of-service plans, executive benefit plans, voluntary/optional benefits)
- Funding arrangements (minimum premium, self-funding)
- Insurance carrier flexibility

Consider the Costs:

Broker commissions may increase as employer groups grow in size; but consultant fees do not rise in direct proportion to the size of your group. Thus, consultant fees are comparatively low as the size of the group increases.



The chart above shows average estimated annual employer costs for broker commissions vs. consultant fees for covered employees by company size.

Did you know that broker commissions can be negotiated and even carved completely out of most products? Broker commissions are paid by insurance companies as part of your premiums. They can be returned to you and used to subsidize consulting fees – giving you greater control over your consulting dollars and possibly generating significant savings.

Questions to Ask Yourself:

- Who is most skilled to help me assess my alternatives and implement/manage the best benefit strategy for my organization?
- Who is most motivated to help me achieve my financial and employee relations objectives?
- Who can I trust to look out for my best interests?

The Bottom Line:

For those employers with 250 or fewer employees, broker commissions are lower and the scope of alternatives is less broad; thus, brokers are a suitable

choice for smaller employers. However, when employer groups exceed 250 employees, consulting fees are much lower and the scope of cost control and design alternatives is much greater; a consultant is the best choice.

Whether it's commission dollars or consulting fees, it's your choice.... because it's your money.

Marsh Consulting Group works closely with employers throughout the United States to tailor, establish, communicate, manage and measure successful employee benefit cost control strategies.

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