

# Broker vs. Everyone!

Prepared by  
**Sheldon Prenovitz, ChFC, CLU**  
Administrative Business Resources

## Who is the Competition?

For years the major competition has been other Brokers. Over time the line between Benefits Broker, P&C Brokers, 401k Providers, Payroll Companies, Banks and other Services Agencies has diminished.

Now banks and financial institutions are becoming more competitive in these service areas. The PEO has been around for many years. Some Payroll Companies are providing benefits and more recently “All in One” agencies have come crashing into the marketplace, companies like Zenefits.

Paychex have doubled profits by providing Benefits. ADP is approaching current customers and upgrading them to their PEO Model. The Broker, both Benefits and P&C, are getting “squeezed-out” along with 401k Providers.

## What is the Attraction of the PEO or Zenefits?

- Why would a business want to leave the Broker they have been working with for years?
- Why would they want to go with a large, impersonal corporation and give up the personal relationships they have built up?
- “It is nothing personal, it is business! “
- “I will be saving X% or X\$ on insurance.”
- “I am getting a lot of services for free I did not have before.”
- “I get a one-stop-shop. I don’t have to think about anything again! Bottom line I am saving time and money and it is just so easy.”

## Do the Above Statements Sound Familiar to You?

The PEO has the ability to offer a large variety of plans to the employees. Because the employees are now the PEO’s employees. The rules change.

A different set of rules may apply to what employees are getting in various coverages. Your client may not have been able to provide benefits under the same set of rules. Therefore, if you are comparing costs of benefits, you need to know what you are comparing. For instance, when the Broker provides Group Life or LTD, he/she is probably covering all employees, at least all full time employees. The PEO may not be covering all those people. This changes the look of your comparison dramatically. You are not as competitive now.

In theory, the PEO can provide an enticing picture for the business owner. One way the PEO accomplishes this is to assign dollar values to various Employer related functions, like Workers’ Comp, Risk Management, Unemployment, Training, HR Compliance and of course Benefits just to name a few.

The PEO may show a comparison of Benefits and Costs. This comparison should represent what the business has now and how the PEO includes all those Cost Centers in one easy package.

Zenefits gives payroll and HR System for free. But is it really free? (By the way we are using Zenefits as the example but there are other companies using the same model). No they are not really free. If the client wants a full payroll package they have to pay something for it. At this point in time the investors are also paying so the client can have some of those services. How long will that last if there is no profits to show? The client has also given up on service, they no longer have their Trusted Advisor (YOU) to call and help them. If the client wants full payroll services they still have to pay for it. "There really is not free lunch"

## Broker Challenges:

What can the Broker do to protect his/her income?

- A PEO finds their way to a client and proposes PEO services. Ideally the Broker should get back to review the proposal and review the plans that have been illustrated, making sure the comparison is apples-to-apples. You must make sure the comparisons are realistic. There may be a savings on insurance but there is an Admin fee that usually offsets the savings.

You need to see the proposal illustrating the cost and again review the numbers.

Does the PEO show their costs? Are they charging a percentage? How do they charge? Are all Employees charged the same amount? A detailed cost analysis needs to be completed.

- Another example is you lost a case to the PEO in the last year or two. Go back to the client and ask if you can re-quote the insurance. (The PEO's renewal is often in mid year). In addition to the Health Plan Census it is handy to get copies of payroll runs from the beginning of the year and the end of the year. This is a huge help in determining the real cost of the PEO. Without those comparisons you will lose the argument again, in most cases.

- The third option is to NOT let the first two scenarios happen! The best way to protect your business from the PEO gaining entry to your client is to be providing services like the PEO ,BEFORE the PEO gets there! We will discuss this a little later.

- Some Brokers have turned to a PEO's and broker for them. The Broker earns some commission but it isn't usually as much as they would receive if they maintained that client on their own.

- Now in addition to the PEO you have Zenefits trying to take your clients. You know how that works, they get a BOR and give Payroll and an HR System to the client. They don't have much to offer from a customer service standpoint thought.

- Another common way the Broker loses business is by allowing the client to use Paychex as the client's payroll provider. Paychex will eventually try to get a BOR for the benefits the moment the client asks a question about the deductions for insurance.

Like it or not the Affordable Care Act has demanded that the Broker provide more services to their clients. The Broker more than ever has to be the "Trusted Advisor". The client depends on their Trusted Advisors for help and guidance. It starts with insurance but it expands into other aspects of the business. It touches payroll, HR Issues, Retirement, maybe even financial matters.

## **Broker Solutions:**

Many Brokers have invested in some sort of online tool to allow the client to have access to online benefits information for client information and for employee information. Just to name a few, Broker Suite, Zywave, BeSwift , Employee Navigator.

Some provide information for the client, some provide information for the employee, some answer HR related question. But none of them are any good if the client does not use it.! In more cases I hear "we provide it to the client and they don't use it". Some Brokers give these systems to their large clients for free, others charge something for it.

It takes more than just throwing some technology to the client to make your services more valuable. All the markets are converging, as stated above Payroll and Benefits are converging together, just look at what Paychex has accomplished.

## **Keep your client, make money, get more clients and blow your competition away!**

We have been working on this solution for a long time. Technology has improved so that now we can offer you this simple solution. The Broker can now offer clients a complete and seamless online benefits solution that is integrated with their payroll. Now you can reduce the time it takes your client to do their job and thus make your client more efficient thus more profitable. Now you are a true Trusted Advisor. Oh and you can make more money too!

Connect Pay and Employee Navigator have built a one entry solution. Now you can offer your clients Employee Navigator, giving them a true online system to manage their benefits and HR onboarding etc. But now the data is integrated into payroll through Connect Pay. Enter Benefits and Payroll is notified!

What does that mean to you? This partnership puts you the Broker in charge, you now control what the client is doing with their benefits. Once you establish this partnership it becomes very hard for the competition to break into the relationship. They have nothing new to offer!

Connect Pay has taken it one step further to help the Broker. First, No commissions are shared, the Broker keeps all the commissions. In addition to that Connect Pay has set up a billing process so if the client wants to charge the client for the Technology they are providing Connect Pay can incorporate the bill into the payroll process, so now it is seamless to the client and the Broker makes even more income.

## **Conclusion:**

- **Contact Connect Pay and Sheldon Prenovitz to see how we can help you cement your client relationships even more.**
- **You will make more money.**
- **Your clients will be impenetrable to competition**
- **Your renewals will be easier**
- **You are a true Trusted Advisor**

**Don't delay and give your competition a window of opportunity**

2016, Administrative Business Resources©