News & Views
May 2018

Which Will Better Serve Your Business: a Broker or an Actuarial Consultant?

When it comes to employee benefits, your organization needs a benefits advisor that adds the most value to your business. While there are quite a few differences in the services provided by a broker or an actuarial consultant, a crucial consideration is the size of your business. Generally speaking, a business with fewer than 150 employees is better off with a broker, and a business with more than 150 employees will be better off using an actuarial consultant. The reason that 150 is the "magic number" is two-fold. First, an actuarial consultant can customize a benefits strategy most effectively with groups of 150 employees or more. Second, 150 employees is the threshold where broker commissions become more expensive than consultants' hourly fees (see chart below for an illustration).

Insurance brokers receive commissions to represent and sell specific products. Because actuarial consulting firms are not affiliated with any service providers, their independence enables consultants to create and customize health and welfare benefits programs specific to your company's needs. Unlike a broker, an actuarial consulting firm uses risk management experience and actuarial expertise to provide clients with detailed cost control strategies that achieve the best return on investment for health and welfare benefit plans. A full-service consulting firm can even provide a team to implement, manage, and monitor your plan to achieve your goals of cost control, regulatory compliance, and employee communications.

Consider the Differences

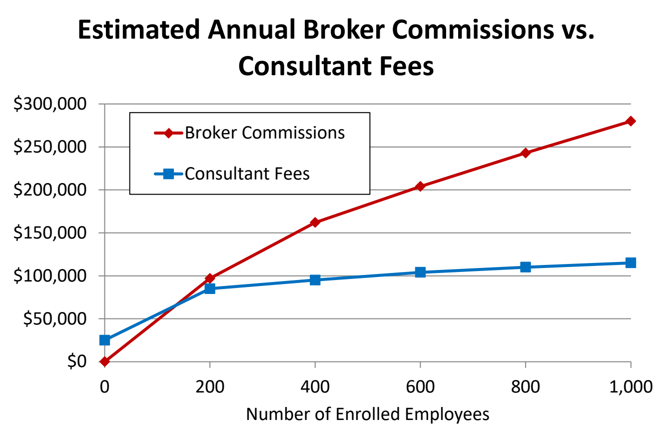
	Broker	Consultant
Their Background	Sales	Actuarial, underwriting, human resources, or legal
Their Focus	Selling products	Finding solutions
How They Are Paid	Commissions, ranging from 2% to 10% of premium	Hourly or project-based fees range from \$50 to \$600 per hour depending upon the level of support required

Consider the Objective

Your objective is to provide the best benefits for the lowest cost, yet a reduction in your costs (premiums) lowers your broker's commission income. Consultants do not have this conflict of interest. Once you exceed 150 covered employees, there are a variety of cost control tactics that are much more effective than the simple "let's go out to bid" approach to problem-solving.

Consider the Costs

Broker commissions are generally linked to premiums, so your costs increase each year in proportion to your rate increases. Commissions also grow as your company grows (see chart at right). In contrast, consultant fees do not increase proportionally to premium expenses or number of employees.



What is Your Benefits Strategy?

Foster & Foster continually evaluates the costs and benefits of varying benefits strategies for its clients with regard to Affordable Care Act (ACA) compliance and cost control. Most brokers will assist their clients in complying with ACA regulations, but will not take the crucial step of determining the best options for an individual company. As Bobbi Kloss, HR director at Benefit Advisors Network, says, "It's not about pricing anymore. It's about that knowledge base and how [benefits advisors] can help their clients navigate these ever-changing, complicated ACA requirements."[1] What's more, Foster & Foster develops a custom communications strategy to keep your employees engaged and motivated in your business, and our compliance team ensures that your organization won't be caught by a regulatory audit.

Questions to Ask Yourself

- Are you tired of the same "let's go out to bid?" solution to premium rate increases?
- 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 150 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 150 employees, consulting fees are much lower and the scope of cost control alternatives is much greater; a consultant is the better choice.

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

Foster & Foster works closely with employers throughout the U.S. to design, implement, communicate, and manage successful employee benefit cost control strategies. Contact us at info@foster-foster.com to find out how we can help you.

[1] Nesper, Mike (2016, January 12). A broker's role is 'not about pricing anymore'. *Employee Benefits News*. http://ebn.benefitnews.com/news/health-care-reform/a-brokers-role-is-not-about-pricing-anymore-2748024-1.html#Login