

Making Use of a PEO Broker



Contributed by
Marty Gray

- Choose a Reliable Partner
- An Effective Client Presentation
- Protecting Your Business

The employee-leasing broker can be an agent's best friend. Employee leasing or Professional Employer Organizations (PEOs) are beginning to improve the quality of their sales force. Where else can the PEO find true professionals with strong customer relations to market the PEO services other than health and life and P&C agents? Health and life and P&C agents are the ideal marketing partners for the PEO concept.

Historically, the PEO has not been insurance-agent friendly. When a predatory PEO takes over an account, you lose any opportunity to sell additional products. The agent loses all group health and life and also the supplemental business. Some PEOs have now concluded that it is in their best interest to work closely with the agent and establish a mutually profitable relationship.

What Is an Insurance Agent-Friendly PEO?

While not new in concept, the PEO has gained much greater acceptance in the past few years.

Assuming responsibility for all the required paperwork related to employees is just one service provided by the PEO. Today, with the tremendous OSHA and COBRA responsibilities faced by employers, having an expert handle these areas has become a necessity. The cost of maintaining an in-house human resource department dealing with payroll, medical coverage and record keeping is transferred to the PEO at one reasonable rate.

A PEO that encourages agents to sell group health and life and supplemental plans directly to clients is agent-friendly. The PEO helps to protect the agent's core business. Agents also increase commissions by earning fees for having placed the business. This fee can be two percent of gross payroll or ten percent of the gross PEO profit represented by the particular client company.

Where the PEO Broker Fits in

Because of the many PEO choices available, it was inevitable that a niche would develop for experts in this field. Both employers and

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agents need guidance in order to achieve the best results. The employer needs the most cost-effective solution that will satisfy all requirements, and the agent has to be certain that his or her client is completely satisfied.

The PEO broker can help with the contracts and identifying which PEO is best for your client. Just as an agent need not represent a single company, PEO brokers represent many PEOs and work to identify the one that is right for your particular client.

Many PEOs are representing themselves to agents as the perfect solution to all of the agents' clients, and saying agents should direct all business to a single company. As an independent life and health agent, would you only contract with one company?

The PEO broker can bring four or five PEO companies or a package of them to you. Each PEO might be somewhat different. One PEO might be very competitive on the low workers compensation codes and another might be just the opposite, competitive on higher codes. The PEO broker can also find a home for your hard-to-place clients like roofers and ironworkers.

Be sure to pick a PEO broker who is only a broker and does not sell the PEO product directly to clients. Unfortunately, there have been some agents burned by PEO agents turning accounts, or worse yet, not paying commissions.

Who Is Responsible for Workers Comp?

Just one issue that a leasing broker considers when recommending a PEO is whether that PEO offers adequate workers compensation coverage for its clients.

With the hardening of workers compensation requirements, many PEOs are being forced to drop clients or even worse, forced out of business completely. A good PEO will have a workers comp carrier with an "A" rating or better. Many PEOs are using workers comp carriers with "D" and "E" ratings before they lose coverage and others are considering starting their own companies. If you consider using a PEO like this, consider who the reinsurance carrier is and that their rating should be "A" or better. The quality of the reinsurer will help determine if the company is solid or not.

In a well-run PEO, risk managers show up well before accidents, in an effort to stop losses before they start. Unfortunately, many a PEOs answer to risk management is calling on clients after accidents. They go as far as dropping clients with accidents, all in an effort to protect their workers compensation policy.

Presenting the concept of an independent staff broker should be approached like this: "Mr. /Ms. Client, we have discussed the advantages of outsourcing your

employment needs. What we did not discuss is how to select the staffing company that best suits your needs. I suggest we deal with an independent expert in the field who has the knowledge and experience to select just the right company. This is not my area of expertise, and to arbitrarily recommend one company or another would not necessarily be in your best interest."

The independent leasing broker will refer you to a PEO that establishes and encourages risk management and preventative safety programs. A PEO broker can also help in holding the PEO accountable if a problem does come up. PEOs that work with brokers and agents know if they do not take care of your client, then the agent and broker will move that client to a different PEO. As the competition increases and more of your clients opt to participate in this relatively new concept, additional benefits will probably be added. Using a staff broker with access to the knowledge of the best programs available will keep you in front of your top businesses and make you an indispensable partner in their productivity. And the commissions and fees don't hurt, either.

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Marty Gray is president of Staff Brokers Inc. He can be reached at 877-416-0668 or visit the Web site www.staffbroker.net.