

Troubled Times

Broker Opportunities in an Uncertain Economy

By Jeff Smedsrud

As seen in Broker World, October 2008

If you feel you cannot turn on the television or read the newspaper without observing mention of a coming recession, your perception might be accurate. According to the Liscio Report, a leading tracking report of economic data, the mention of the word recession in the *New York Times* and *Washington Post* has doubled recently, and is at the highest level since 1987.

With such a focus on a recession, it is understandable that many agents are concerned about how they will weather the potential economic storm. First, take solace in the fact that recessions are generally short-lived. According to Jon Markman's September 28, 2007 article on MSN.com, over the past five decades the average U.S. recession has only lasted a total of 11 months. However, that is little comfort to an agent who is not prepared mentally or financially for an economic downturn.

To prepare for a recession, it is important to realize that the majority of consumers will continue spending throughout its duration. While certain segments of the population will reduce spending, the shift creates selling opportunities for agents with a game plan. The key to success is finding the right product at the right price for your customer.

Attracting and retaining employees

For example, a February 2008 survey by the National Federation of Independent Businesses indicates that the Index of Small Business Optimism fell 2.8 points in January 2008 to 91.8, its lowest level since 1991¹. While on the surface this sounds ominous to agents who make their living in the small business market, there's opportunity if you dig a little deeper into the research. Eighty-two percent of employers who were trying to fill job openings reported few or no qualified applicants and 11 percent of those business owners said that the availability of qualified labor was their top business problem¹. If employee recruiting and retention is a significant issue for small business owners, an agent that can provide an affordable group medical plan has the opportunity to get in front of a lot of new clients who are trying to attract potential employees.

Employers looking to lower their benefit costs might first consider eliminating dental benefits. If you hear of businesses dropping their dental plans, make sure you are first on the scene with voluntary plans or individual dental plans. Dental is no longer just an employer-sponsored benefit. By providing a voluntary plan, employers can provide the benefit, but reduce their cost with employee contributions. And, if a business offers their employees access to affordable individual insurance, unique co-pay dental plans are available that employees can continue to utilize even if they leave the business.

An employer may also consider dropping group health insurance in order to cut costs. Rather than eliminating a health benefit altogether, offering a limited benefit medical plan that provides basic protection is an excellent alternative to eliminating the benefit completely. Limited medical, which covers an individual's day-to-day health care expenses, is also available on an individual basis for those who are struggling with the cost of major medical insurance and are willing to give up catastrophic coverage while still maintaining at least some coverage for medical care.

Connecting with new hires and the unemployed

A downturn in economic times might also mean an increase in the number of people who are unemployed. Someone who has recently lost his or her job might also have lost benefits. COBRA premiums are costly, especially in a time of financial uncertainty, and when an individual finds another job, there is often a waiting period before group coverage becomes effective. Short-term medical insurance, which offers monthly payment options and, in some instances, coverage that can be renewed for up to 36 months, is a good option for some employees who have a break in coverage before they're eligible for group benefits.

Because of a soft labor market, new college graduates may experience difficulty in finding their first permanent job. They are likely to no longer be covered under their parents' insurance, and they need a bridge until they have access to group coverage through an employer. Short-term medical insurance, that provides temporary coverage at an affordable price, is ideal for new graduates. The application process is often simple and easy, and new applicants can apply online and receive approval in minutes.

Some new graduates, who are turning to contract work to earn income while gaining the experience that employers value, will not have the luxury of employer-sponsored group benefits. For these graduates, a high-deductible health plan paired with a health savings account (HSA) may be a viable option. The premiums tend to be lower than other major medical coverage, plus contributions to the HSA and withdrawals for qualified medical expenses are non-taxable. According to the Bureau of Labor Statistics, the average person now holds 9.2 jobs between the ages of 18 and 34. Because of the mobile nature of this generation's workforce, they can build their balance in an HSA that they own, unlike a cafeteria plan. And, the tax advantages of an HSA extend past retirement, which make HSA funds an excellent supplement to 401(k) savings.

Every economic cycle brings a new set of challenges. Planning for how you are going to thrive during this cycle is paramount to your success. By focusing on new clients that are going to need your products, services and guidance, you can create a business plan that will make 2008 a great year—no matter what the experts predict!

1. NFIB Small Business Economic Trends February 2008.
William Dunkelberg and Holly Wade

Jeff Smedsrud is senior vice president and chief marketing and strategy officer for Independence Holding Company. He is also chief executive officer of IHC Health Solutions, a member of the IHC Group. The IHC Group is an insurance organization composed of Independence Holding Company (NYSE:IHC) and its member companies (www.ihcgroup.com). Contact Jeff at jeff.smedsrud@thinkihc.com.