

# THE INSTITUTE FOR INSURANCE TRANSPARENCY

## **WHAT'S BEHIND THE CURTAIN MIGHT SCARE YOU**

CHROs and CFOs assume their broker has their best interest in mind when managing their benefits and risk programs, yet brokers often mask the truth for their gain, leaving you, the buyer, at a disadvantage. That's why we're taking a closer look at long-held beliefs and practices in the insurance industry, to challenge what we have been led to believe is a fact, however, may want to question.

The Institute for Insurance Transparency was founded to shine a bright light on an industry we all depend on. Our insights are designed to ensure CHROs and CFOs will not be embarrassed or falter in upholding their fiduciary responsibilities. We will select topics important to you, gain insights from subject matter experts, and provide guidelines you can use to ensure your partners are fully transparent.

In Part I of this series, we will explore the time-tested method of name brand broker "sending the plan out to market to get competitive bids." The name brand broker, revered as the insurance industry expert, packages the relevant data and submits it to the market. Several weeks later, the results are presented to the client, whether good or bad, and roughly 72% of clients ultimately renew with their current insurance carrier and broker. We aren't sure the client's best interests are being served in the process.

Name brand brokers are supposed to be experts in the market, but how do you know the right data is being sent to the right carriers and that those carriers are taking the bidding opportunity seriously, or giving their best pricing? You likely remember the name Eliot Spitzer (Attorney General for New York), and the settlements with Aon, Marsh and Willis on

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***A fully transparent process means there are no secrets behind the curtain***”

this topic, impacting over 100,000 clients<sup>1</sup>. Maybe you were one of them and remember the feeling of being misled.

Insurance carriers maintain a close relationship with big brokers crucial to their operations. Those brokers are loosely tied to lucrative carrier relationships (we don't think that died with the Spitzer litigation either). Therefore, obtaining comprehensive insight into this aspect of the industry can be challenging. We all remember the Great and Powerful Wizard of Oz, operated by a man in power with a secret behind the curtain, but are you curious to know what we found when we pulled the curtain back on the insurance industry?

Many insurance industry authorities don't want to bring focus to this topic, but we did find someone who would: Paul Gable. With over 20 successful years of experience in underwriting, including serving as head of underwriting for Prudential in the Life/Disability/Absence space, Paul sheds light on the often-opaque process of insurance bidding.



# “ The early adopters will get the advantages ”

**How often did you feel brokers were going through the motions without intent on moving if finding a better option?**

*50% to 75% of the time, as requests for data clarity went unanswered.*

**What was your biggest frustration when working with big brokers?**

*Getting good data. My role was to have ultimate accountability for financial performance, and without good data, I could not quote our best price.*

**How often did specifications change post-sale?**

*This happened at a frequency that is incredibly frustrating. I estimate 75%+ showing a lack of attention to detail and failure to appreciate the interests of all stakeholders. And as you can imagine, we were asked to absorb the cost of fixing these shortcomings. Then there was the frustration of the customer, not getting a smooth implementation.*

**A decade ago, you were an early adopter of the fully transparent bidding process. What benefits did you see from this approach?**

*All carriers see comprehensive data exchange through the bidding portal, so favorites cannot be played. We all see the contract specifications, premium/claims, and service requirements, so everyone is bidding on the same data. Our underwriting team could be confident, which allowed us to be aggressive in our bids, not holding back due to questionable data or knowing we might get asked to cover up any mistakes.*

**Can you describe what it means to "not hold back" in terms of pricing?**

*Prudential would often bid 20% more aggressively than standard, sometimes more, if we really wanted the account.*

**How do we pay attention to the "man behind the curtain?"**

*A fully transparent process means there are no secrets behind the curtain. All carriers can openly bid in real-time, using the same data, allowing maximum competitiveness or sometimes a quick exit if a carrier's pricing model is exhausted. Terms and coverage conditions are set, so the best price wins.*

**Will the market eventually adopt the fully transparent bidding process?**

*Transparency has existed for over 10 years, and less than 1% of brokers/consultants use it. Big brokers do not like change, so unfortunately, I don't see the bidding process changing anytime soon. However, the early adopters will get the advantages mentioned above.*

CHROs and CFOs in today's society demand transparency in their organizations, and from their partners/brokers. Early adopters/fast followers will embrace changing to the fully transparent model, which will be to their benefit, and the benefit of their organizations. That is the objective of our newsletter, to give you actionable insights to uphold your personal/corporate fiduciary responsibilities. To find a full listing of questions to determine if you are receiving full transparency, visit our website at [www.The-IIT.com](http://www.The-IIT.com).

\*New York Times Feb. 5, 2005 & Wall Street Journal, Oct. 18, 2004

## DON'T BE LATE TO THE GAME

Learn more about the benefits of a fully transparent insurance bidding process by joining us for a demonstration and discussion on March 17 at 9 AM CST. Space is limited to the first 10 registrants, so be sure to sign up at [www.The-IIT.com](http://www.The-IIT.com) before it's too late.

# MEET THE EDITORS



## EDITOR

*Mitchell Andrews*

*Partner – The Plexus Groupe*

Mitchell Andrews is a fearless disruptor in the insurance industry with over 35 years of experience. He never hesitates to challenge the status quo or question authority when it comes to achieving the best possible outcome for his clients. Mitchell is known for his unrivaled expertise in Employee Benefits and Business Insurance as one of the founding partners of The Plexus Groupe. He is an uber-inquisitive and outspoken professional, always searching for what is new and different to drive client success including serving on numerous insurance advisory boards and participating in state and federal lobbying efforts to improve the efficiencies within the entire insurance ecosystem.



## CONTRIBUTING EDITOR

*Paul Gable*

*Former Head of Underwriting – Prudential; Chief Insurance Officer – CDK Global*

Paul Gable has over 20 successful years of experience in underwriting, including serving as head of underwriting for Prudential in the Life/Disability/Absence space, Paul is passionate about shedding light on the insurance buying process, and spends his time consulting and investing in the InsureTech space, where his transparency quest is being rewarded.

## OTHER CONTRIBUTING EDITORS

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