

Broker helps lower premiums for California nonprofits

Employee Benefit News • April 1, 2006 | Steve Davolt | <http://www.benefitnews.com/detail.cfm?id=8777&terms=lgreer>

Without the Center for Employment Training, Silicon Valley would be a lot like Bedford Falls without George Bailey - that is, just another Pottersville. At least that's the dark alternate future as insurance executive Dixon Greer sees it.

"CET drives 1,000 kids a year through their program," Greer says. "These are kids that come up hard, that come from tough neighborhoods. They come out of CET as truck drivers, cooks, janitors."

The laudable mission of the nonprofit, job-training institution helps explain why the president of San Jose, Calif.-based Liberty Benefit Insurance Services went all out to lower the Center's insurance premiums.

Predatory insurers

Greer pulls no punches when criticizing peers whom he sees exploiting nonprofits.

"The industry identifies nonprofits as people they can load the rates on," he alleges. "Every time we audit a nonprofit, we find the carriers have taken advantage of them, because they are perceived as non-business people. Carriers' fangs come out, and they start to drool."

But Mahommed Aryanpour, the hard-nosed chief financial officer of CET, wasn't easily taken advantage of by predatory insurers. He constantly challenges staff and vendors to save money, says CET human resources director Yvette Galindo.

"When you're a nonprofit, you really have to watch your dollars," Galindo says.

How Liberty saved CET \$76,000 on its 2005 premiums for health, dental, disability and life isn't remarkably different from what the company does for other clients. Liberty deploys a software developed in-house to conduct a thorough audit of various insurance policies - short- and long-term disability, health, life, dental - then takes a percentage of whatever it saved the client on its premiums. In CET's case, Liberty took a 30% cut.

"Every broker and their brother says they audit," explains Greer. "What that really means is that they pit carrier against carrier. Those carriers are all shadow pricing each other, so that the rate that you're paying as a plan sponsor is almost by definition 25% high.

"Once we audit a client, we have a compelling case to go back to existing carriers and say, 'What the premium rates should be are 30% below where you have them, and these are the reasons why.'"

Greer maintains that his underwriting philosophy is empirically quantifiable and based on accepted risk rates. And don't even get him started on "trend."

"The concept of insurance going up every year just because," he defines. "Trend' is just something insurance carriers talk about so they can justify a rate increase. Trend' doesn't exist."

A holistic approach

Liberty has brokered the insurances that CET has offered to its staff of 400 since 1998. But it wasn't Liberty's competitive pricing alone that won over Yvette Galindo.

"The thing I'm impressed with is how the relationship has developed with Liberty," says Galindo. "They not only save us money, but they are supportive of our culture, how we operate, the way we provide services. They have this holistic approach to doing business with us."

Among the support that Liberty offered CET was a human resources audit to see where the nonprofit's strengths and weaknesses lay. Galindo also attended HR training sessions orchestrated by Liberty. She emphasizes how welcome such services and support are to nonprofits, which lack the resources of large commercial companies.

Vulnerable populations

CET isn't the only nonprofit that is singing Liberty's praises. Tammy Kenber served as human resources director at ALTA California Regional Center in Sacramento, a state-funded center that provides services to developmentally disabled and at-risk children.

Kenber agrees that nonprofits are often targeted by insurers who know they have guaranteed funding, which in ALTA's case is particularly deplorable since higher administrative costs translate into diminished services for a vulnerable population.

Kenber also extolled Liberty's "value-added" service. "They were knowledgeable about our market, they provided free consultations, they agreed to manage our COBRA program."

Liberty even came in and helped Kenber conduct staffwide training sessions. At a time when training budgets for state agencies were being slashed, the bonus was appreciated.

"I felt good about giving them our money," Kenber says. "They earned it and more. They made me look good, and they made the administration look good to the overall workforce."

So Kenber was pleasantly surprised when she arrived at her new job at Rancho Cordova tech company Comtek Computer Systems and discovered that Liberty was also the broker of record there.

Despite the enduring good will Liberty has generated with its nonprofit clients, Dixon Greer claims he never set out to make them a niche market. But recently he confesses to thinking "maybe we should."