



BROKER'S WORLD: More Firms Offer Advisors Health Coverage

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Two independent broker-dealers plan to offer health insurance programs to nearly 3,000 financial advisors who are currently on their own for coverage.

Investors Capital Corp. (ICH) plans to announce Monday that it will provide a health insurance program to its 800 registered representatives starting Jan. 1. Woodbury Financial Services Inc., a Hartford Financial Services Group Inc. (HIG) unit with about 1,900 reps, plans to roll out a program in the first half of 2007, Chief Executive Brian Murphy said in an interview on Wednesday.

In offering the plans, the firms join a growing movement of independent broker-dealers to make health benefits available to their affiliated reps. Unlike brokers at big Wall Street firms like Merrill Lynch & Co. (MER) and Citigroup Inc.'s (C) Smith Barney who enjoy employer-sponsored health plans, independent advisors are business owners who must come up with coverage themselves.

Firms that are offering these plans say they hope to stand out among their rivals in the war to attract successful advisors. Complications around health insurance can discourage advisors from switching firms, said Tim Murphy, president of Investors Capital. (Tim Murphy is not related to Brian Murphy of Woodbury.)

"They can be locked into an existing relationship with a firm because they might have a pre-existing condition in their family," Tim Murphy said. With the new plan, he foresees "a significant improvement in our ability to recruit."

As self-employed contractors independent advisors are ineligible under Internal Revenue Service rules for the health plans available to regular employees at their broker-dealers. As a result, most have to secure what can be a costly individual small-business plan directly from an insurer, turn to a local chamber of commerce or spouse's plan, or even go uninsured. That can lead to a situation where advisors, who help clients manage such issues as insurance coverage, are at risk for their own finances and health.

"It's like the cobbler's children with no shoes," Tim Murphy said.

Tax Implications

In July, American International Group Inc. (AIG) rolled out a health insurance program to the more than 8,000 advisors affiliated with its broker-dealers. That program, offered through BenefitProtect LLC, a Phoenix benefits management firm, allows advisors to purchase health

insurance for themselves, their employees and families at competitive rates. More than 500 advisors have enrolled or applied for the program and about 2,000 have inquired about it, said John Pluhowski, an AIG spokesman.

Securities America, a broker-dealer unit of Ameriprise Financial Inc. (AMP), offered the same program to some 1,800 advisors earlier in the year.

Investors Capital is securing its plan through the Wealth Advisor Institute, a Washington, D.C., trade group formed in June for financial advisors, accountants, insurance agents, attorneys and others who cater to the high-net worth market. Investors Capital's reps will get "guaranteed coverage at a group discount" for health, disability, dental, vision and life insurance, Tim Murphy said. As with all such third-party arrangements, the firm will not contribute toward the premiums, although Murphy notes the firm pays 100% of the cost of health insurance for its regular employees.

Keith Gregg, chairman of the Wealth Advisor Institute, said the group is seeing "a great deal of interest" in its health benefit plans and has already signed up more than 100 advisors for coverage.

Broker-dealers must secure these plans for their advisors through third parties to avoid the risk that Uncle Sam will see the reps as employees. If that were the case, firms would have to pay Social Security, Medicare and unemployment taxes on wages and withhold income taxes. Advisors could have less flexibility in how they run their practices.

"We don't want to put our reps' business model in jeopardy," said Brian Murphy at Woodbury Financial, who is also a director of the Financial Services Institute, a trade group for independent broker-dealers.

He said the industry is raising concerns with lawmakers about the roadblocks to offering advisors regular corporate health benefits.

"The system is stacked against independent contractor reps because of a lot of clunky laws that don't work well together," he said.

The third-party approach, he said, is "better than nothing."