

## Cover Me

*Health insurance options slowly expand for independent advisors.*

By Elizabeth O'Brien

February 1, 2007- Independent advisors can outsource many of the administrative hassles that come with small-business ownership, from payroll to website maintenance. Health insurance, however, remains a more vexing problem. Obtaining affordable, quality care is a challenge for many independent workers, and advisors are no exception. Some broker-dealers, membership organizations and third-party facilitators have begun addressing the problem by offering advisors group discounts on health insurance or streamlined access to individual plans.

Last month, broker-dealer Investors Capital Corp. began open enrollment on new group health coverage for its advisors through national Blue Cross and Blue Shield. The Financial Planning Association is negotiating a pilot health insurance program through Humana for members living in limited areas. This month, USAllianz Securities and National Financial will join Mutual Service Corp., Securities America and other broker-dealers that have aligned with BenefitProtect, a Phoenix-based company that acts as a liaison between independent workers and health insurance providers. Since its inception in 2004, the company has helped independent workers across the country navigate their healthcare options.

"Business is good," says CEO Kyle Williams. "We went from zero to 100 miles an hour very quickly."

BenefitProtect does not offer group discounts on health insurance. The rates individuals can access through the firm are no different than the ones they could obtain directly from Aetna or any other health insurance provider. The advantage of going through BenefitProtect, Williams says, is that people learn about their range of options from a knowledgeable counselor and then sign up with BenefitProtect over the phone, saving time and paperwork. The insurance providers pay the full cost of the service.



**Kyle Williams' firm BenefitProtect helps independent reps sort out their healthcare options.**

BenefitProtect's popularity illustrates just how complicated health insurance can be for workers who don't have coverage through their employers. (The company started out with a clientele of long-distance truckers.) The Internal Revenue Service makes a distinction between employees and independent contractors, and broker-dealers have traditionally been reluctant to help their affiliated

advisors with benefits for fear of blurring this line.

Broker-dealers don't contribute anything toward advisors' health premiums under BenefitProtect. Without assistance, small-business owners often find health insurance prohibitively expensive--especially when one of their employees has a preexisting medical condition--and a service like BenefitProtect can help ensure they're getting the best rates in their area.

Investors Capital decided to go one step further and offer its own group discount program. While the Massachusetts-based broker-dealer will not pay anything toward advisors' premiums, the company estimates that its newly unveiled plan will save advisors 15% to 20% off their current health insurance costs.

Nearly 200 of the company's 800 advisors called within the first two days of the announcement about the new health benefits. "I didn't leave my desk," says Kasie Jacobs, the company's financial and marketing consultant.

Jacobs worked with an independent healthcare consultant to find a plan that advisors could access in all 50 states. Individuals cannot be denied coverage for preexisting conditions, and even one-person firms are eligible.

This new health benefit will give Investors Capital an advantage in attracting and retaining advisors, Jacobs says. "People are really happy we have this." Some of the biggest broker-dealers, such as LPL Financial Services and Commonwealth Financial Network, don't offer any health insurance benefits for their advisors. Commonwealth refers advisors to BenefitProtect if they call about insurance options, says spokeswoman Emily Guadagnoli. While individuals can access BenefitProtect on their own, a referral from a known company helps advisors trust the service, Williams says.

Among the large asset custodians, Schwab, Pershing and Fidelity don't offer their advisors any group or other discounts on health insurance. TD Ameritrade offers its advisors preferred pricing on services from Ambrose Employer Group, a human resources outsourcing firm that offers access to health and other insurance, as well as 401(k) plans, flexible spending accounts and worker's compensation.

Some advisors find they can do best striking out on their own. The employees in Eric Brotman's firm near Baltimore are under age 30, on average, so Brotman can secure cheaper coverage independently than he can through the group discount programs that tend to attract older, sicker workers. He offers his employees three different health plan options coordinated by Kelly & Associates, an insurance administrator which sends him one consolidated bill each month for the various carriers his employees use.

Brotman learned about Kelly & Associates during an earlier career as an insurance broker. Other advisors have taken the opposite trajectory, becoming licensed insurance agents so they can better understand health insurance options for themselves and their clients.

Keith Newcomb of Nashville, Tenn., is one of them. Faced with the expiration of his COBRA benefits from a prior job, Newcomb decided to use his personal situation to his professional advantage. "I'm the accidental health insurance agent," he says. Newcomb was commissioned on the sale of his own health insurance policy and has gone on to help many clients find coverage.

Joseph Giangliulo, on the other hand, never sells medical insurance to clients. The Dallas-based planner says it's "too much hassle," since many clients can't afford the best programs and even if they can, they invariably complain to him when premiums rise.

One sick worker can make health premiums skyrocket for small firms. "It's in my interest as an employer always to hire healthy people," says Michael Crifasi, a licensed insurance agent and planner in Georgia. "In this country, unfortunately, that's the way it is." Crifasi is structuring the FPA's new health insurance offerings for members. His home state of Georgia is the test location for the new plan, tentatively slated to start this year. The program is currently designed with the ability to exclude unhealthy groups, because their participation can increase costs to the point where the benefit is no longer cost efficient. Firms must have a minimum of two participating employees to join.

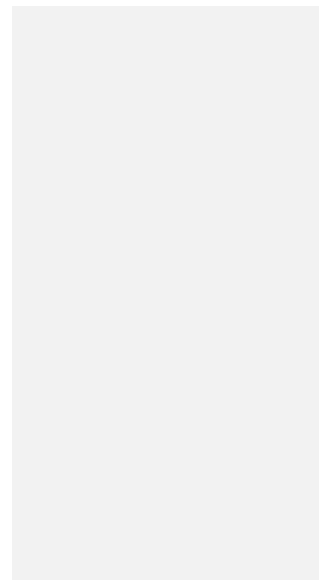
As of press time, it remained unclear whether the FPA health insurance initiative would expand beyond Georgia. Individual state laws on association-based health plans vary. For example, New York and New Jersey take a restrictive position toward these types of plans, making it harder for their residents to participate, Crifasi says.

The National Association of Personal Financial Advisors does not offer health benefits to its fee-only advisors, according to CEO Ellen Turf. NAPFA does offer group long-term disability insurance to members, and hopes to offer health insurance in the future, she says.

BenefitProtect's Williams says the only legislative change that would significantly affect his business model would be the adoption of socialized medicine, and that's not likely to happen any time soon. In other words, it probably won't get easier in the near future for independent workers to obtain affordable, quality health insurance on their own. As Newcomb says, "It's complicated and it's expensive."

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