

CAPITALIZING ON BENEFITS

MORE THAN JUST INSURANCE

*An array of value-added
services rounds out benefits
for Knauff Insurance*

*Knauff production staff members
outside their office building in
Charlotte, North Carolina.*

By Len Strazewski

Children build cool buildings with Legos. Agents and brokers build their employee benefits practice with diverse services and strategic alliances as well as insurance savvy.

Group health plans, self-insurance, claims services and cost data analysis may be the cornerstones of an agency's employee benefits practice; but other value-added services, including wellness and health management, human resource management, legal and regulatory compliance, accounting management and business education, all contribute to the architecture of success, say the executives of Knauff Insurance, Inc., in Charlotte, North Carolina.

Founded in 1969, Knauff Insurance is one of the largest full-service agents and brokers in the Carolinas with a thriving employee benefits practice that contributes about 30% to 35% of the firm's gross revenues annually—and trending upward a little more each year.

The firm boasts a 99% client retention rate, executives say, and has about 60 employees, including nine specializing in employee benefits.

Skip Knauff, president and chief executive officer, says the agency plans to continue to build its benefits practice, with both organic growth and cross-selling between its property/casualty insurance, employee benefits and personal lines groups.

While some producers specialize, everyone has the ability to communicate the firm's capabilities across product lines, Knauff says, and aggressive sales remains important. However, also important is the ongoing expansion of the value-added services and general business resources the firm can bring to its trusted advisor relationships with its clients, he explains.

"Of course, cost is the key driver for all of our employee benefits customers, but responding to their cost concerns requires more than just renegotiating their group health plan every year and hoping for the best.

"If we are going to contain their benefits costs, we are going to have to help them reduce their claims," Knauff explains. "And to reduce claims, we need to help them have a healthier workforce. We have now moved beyond insurance and deep into advising our customers and their employees about improving the quality of their business and their lives."

Knauff says the agency continues to add benefits specialist producers to the agency and specialists in related services, but it also relies on strategic alliances with local business services to support its customers with advice, counsel and resources that extend beyond the agency. "We have attempted to ally ourselves with the best of the best in our region: banks, lawyers, accountants and other services so that we can provide the highest quality support for our clients in all areas of their business needs."

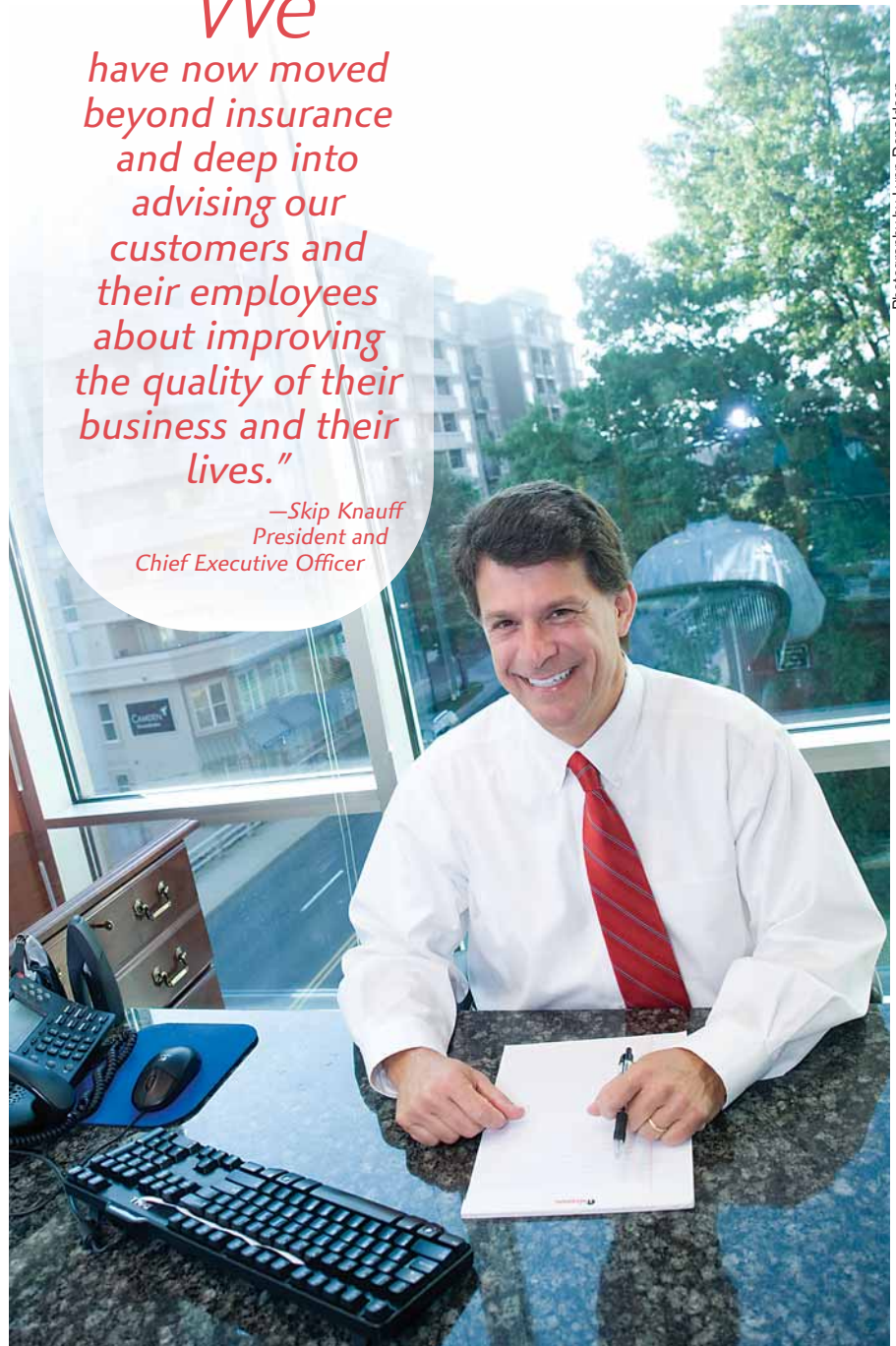
The firm recently added Charley McNealy, a prominent local certified

public accountant and a long-time partner with the local office of a large accounting firm, as a business consultant.

"We do not provide formal accounting services though we do have excellent relationships with the leading accounting firms in the area. But Charley's role is to connect with our customers and help them understand economic issues and their impact on their business," says Knauff. "He can help them identify areas in which they may need additional services or strategic support and help guide them to the

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*—Skip Knauff
President and
Chief Executive Officer*



Photography by Lynn Donaldson



Agency executives (from left): Skip Knauff, President/CEO and agency owner; Keith Sharpe Jr., Vice President-Sales; and Jack Ellis, Executive Vice President and agency owner.

right providers within the range of our strategic alliances.”

In turn, the strategic alliances provide the referrals that will continue the pattern of growth, he says.

Executive Vice President Jack Ellis agrees. “There was then—and still is—a lot of pain in the marketplace related to group health costs,” he explains. “We realized that if we were going to succeed as a leader in employee benefits, we had to provide the same level of service to our benefits customers that we do to our property/casualty insurance customers.”

The approach fits perfectly with the total risk management methodology the firm has applied to its commercial property/casualty insurance customers, he notes. Contemporary best practices require that agents and brokers provide ongoing analysis and plan design consulting as well as annual insurance policy marketing.

“Customers need much more than a spreadsheet every year indicating what they paid and what they will pay for every carrier. They need strategic

advice on their approach to risk and the services to support their strategies. These value-added services are what define our approach,” he says.

Keith Sharpe, vice president of sales, joined Knauff three years ago after nine years with an insurance company, learning from the inside the complex underwriting policies and procedures that have come to drive premium costs. He also witnessed the evolution of the role of insurance brokers in managing their customers’ risk profile and the range of services and vendors that support their business strategies.

Leading group health plans in the region include Blue Cross and Blue Shield of North Carolina, Cigna Health, United Health Care, Aetna Health and WellPath Coventry Health Plans for employers with fewer than 150 employees.

Third-party administrators are also prominent players in the regions. Sharpe estimates that about half of all employers with 150 or more employees self-fund all or a portion of group health benefits.

In addition to group health

benefits, the firm also provides the full range of related benefits, including life insurance, dental insurance, vision care plans, disability and group life insurance. In a separate financial services division, the agency can also provide 401(k) defined contribution retirement plans services, estate planning, key employee benefits and executive retirement insurance plans and individual life insurance.

“Twenty to 25 years ago, the role of the broker was to market the coverage and perhaps provide some claims management support. Today, the role of the agent has evolved into more of a general business consultant than an insurance salesperson. A good agent has to be sensitive to not only clients’ costs and coverage but also their general business concerns and their need for other value-added services,” Sharpe says.

The recent economic recession and health reform legislation has only intensified that evolution, he notes. “Human resource departments have been cut to the bone and they are looking for help. They are

turning to their agents for not only guidance but any other services we can provide in terms of enrollment management, communication and claims trouble-shooting.”

Health reform will only increase the complexity, he adds. “There are still a lot of questions about how health reform will work and it is certain that there will be a lot of variation on a state-by-state basis on the implementation of its various mandates.

“For example, we are still not sure how insurance exchanges will work or how agents will be involved. As the various programs are implemented, we will have to be ready to explain them to our clients and see how they can add value.”

In the meantime, agents and brokers must continue to provide the services that have a direct impact on costs, he says. Wellness services, for example, have become an important component of the agency’s employee benefits services, executives say.

Knauff Wellness Director Tish Williams comes from a long career in corporate human resource management and understands how employee wellness and well-being does more than reduce claims costs. She also understands that the

relationship between a fit and healthy workforce leads to a lower rate of absenteeism and greater productivity, as well as lower health claims costs.

However, getting employers to invest in wellness programs is still a challenge. She says only about 20% of Knauff clients are committing to full health screenings for employees and supporting comprehensive wellness services. Others are still “taking baby steps,” beginning with health communications, newsletters and online risk assessment tools.

“I approach the job more as a project manager, assisting our customers in coordinating the various services that are available from their group health plans and directing them to local providers such as hospitals and fitness centers that can provide programs at minimal cost,” she says.

Health challenges are popular with employers, she notes, and weight-loss programs, walking contests and other group participation programs are inexpensive and can raise the profile of health and wellness within an organization.

However, these programs tend to attract the most fit and the most health-conscious and miss the employees who may need the most

help in getting in shape.

“Employee participation requires a lot of communication and support from management. Just providing a few tools or programs is not going to reshape a workforce. For example, “Most of our employers already provide a free online risk assessment tool available through their group health plan Web site, but only about two of every 100 employees use it,” she says.

Education tops off the value-added that Knauff provides to its present and prospective customers. The firm sponsors regular seminar events and Webinars.

The agency’s recent “Leadership Insights” seminar for local chief executives, chief operating and chief financial officers, drew about 200 attendees to hear executives of the local Federal Reserve Bank of Richmond discuss the latest economic news and the state of post-recession recovery.

“There’s a great interest in any information about what’s happening right now with the economy, health reform and other national issues,” Sharpe says. “We like our local executives to understand that Knauff is also the company that can keep them informed about the issues.” ■

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