

# I Can't Wait Until Next Year!

A conversation with Marc A. Hollabaugh, CLU, ChFC

*We recently spoke with Marc A. Hollabaugh, CLU, ChFC, because his payroll deduction business has won him extensive company awards. Marc has spoken at numerous home office programs and industry seminars on this subject.*

*Hollabaugh is a life and qualifying member of the Million Dollar Round Table, along with consistently receiving the National Sales Achievement Award and National Quality Awards from NALU. He is a past director in The Kansas City Chapter of the American Society of CLU & ChFC, and was President of the Kansas City Life Underwriters Association (1991-92).*

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*21st Century: Marc, tell us a little about your background and how you got to where you are today.*

**Hollabaugh:** I entered the life insurance business in 1978 upon graduating from Rockhurst College in Kansas City, MO. My first ten years in the business were primarily focused on building a clientele of individuals and small businesses, in addition to sales management activities. I provided planning services for my clients in the area of life and disability insurance, investments, benefits, etc.

*21st Century: Why did you choose to focus your energies and attention in the payroll marketplace?*

**Hollabaugh:** I started realizing there comes a point in time where certain clients are going to own as much investments, whole life, term and disability insurance with me as they'll ever need. The potential for substantial future business is somewhat limited with certain clients, especially if they're working toward maximizing the benefits available to them through their employer.

This is not to say I do not believe in obtaining referrals and constantly searching for more clients. Yet, it is a fact that the majority of insurance agents (80% or more) have been and will continue

to focus working with the minority (20% or less) of prospects who fall within the "higher" income and asset ranges.

*21st Century: What are important factors when considering which groups to work with?*

**Hollabaugh:** It takes as much time and effort to properly set up, enroll and administer a payroll case with 25 employees as it does with 100. Thus, our efforts are focused on companies with 75 or more employees.

Our average client has around 200 employees and we find our time and effort is much better rewarded when working in this size range. Of course, larger companies (over 500 employees) have been great to work with and are regularly being contacted as prospects with hopes of becoming new clients.

*21st Century: Are there any other important factors?*

**Hollabaugh:** Ideally, there should be as little turnover as possible. This makes sense for the insurance carrier so they have a better chance of making a profit. Of course, this is true for brokers. A considerable amount of effort takes place in order to put in force and deliver policies to a group.

Significant turnover, will lead to an unacceptable amount of lapses and loss of revenue to the producer. The payroll department of the employer will have fewer reasons to complain about the time it takes to reconcile the monthly billing if there are fewer employees coming off the plan.

Employer support is a must. Walk away quickly if you don't receive the utmost in support and cooperation from the top when planning your enrollment.

*21st Century: Marc, that's interesting. Tell us more about what is necessary to pull of a good enrollment.*

**Hollabaugh:** We have created a checklist which is followed closely on every case we enroll to insure that you have a chance to make a profit on each enrollment.

1. Meet with supervisors on each shift to explain enrollment process and determine the best time to schedule group meetings.
2. Obtain payroll deduction dates from the payroll department and be sure they understand the billing and collection process.
3. Communicate to the insurance carrier information they will need regarding the enrollment.
4. Utilize posters, payroll stuffers and letters to communicate to employees information regarding the enrollment.
5. Determine which videos, slides, handouts, etc., to be used for group meetings.
6. Schedule an adequate amount of enrollers to be able to complete the case within one week following the group meetings.
7. Communicate to your staff what they'll need to know regarding the enrollment and have them prepared to quickly process all applications.
8. Insure that each policy is approved as applied for and promptly delivered to the worksite.

*21st Century: How do you decide which product(s) to make available to employees?*

**Hollabaugh:** Life insurance has been a great "first" product to offer a group. Fortunately, most group life insurance coverage is very limited in nature. Coverage for employees, regardless of their personal needs, is typically found to be a flat amount (\$10,000 or \$20,000) or maybe one times earnings. Most of the time coverage for spouse and children is nonexistent or limited to between \$2,000-\$5,000.

My experience has found that adults do want life insurance, it's just that it's not convenient to purchase. Most adults know how to obtain credit, open a checking or savings account, etc., but adults don't really know how to go and "buy" life insurance. When properly explained, the benefits and features of owning permanent coverage on themselves, spouse or children far outweigh relying solely on company provided group term.

*21st Century: Other than life insurance, what other products might make sense for a group?*

**Hollabaugh:** If an employer isn't providing some form of sickness/accident or disability coverage for its employees, a voluntary disability plan can be popular. Other employee paid products becoming increasingly popular are voluntary term, dental, vision, cancer, and long term care.

*21st Century: What do you look for when selecting a carrier?*

**Hollabaugh:** Guarantee Issue is preferred. It's a big advantage to be able to allow employees who are newly eligible to be able to purchase certain coverage amounts without being rated or declined. Some carriers will also extend a limited amount of guarantee issue for spouse and children, which of course is popular.

Since the payroll deduction program will continue for many years, it's important to use a carrier with a good history in voluntary benefits and equally optimistic attitude about the future of voluntary benefits. The carrier should administer a program with as few headaches as possible for the employer.

Point of sale brochures and pamphlets are necessary to help explain and communicate to employees their options. Product handouts and carrier supplied videos and/or slides help increase understanding of the plan(s) being made available.

Knowing that your case is valuable to the carrier (regardless of size) and is viewed as such is important.

*21st Century: Tell us how you have chosen to market voluntary products and why you believe your methods have led to such great success?*

**Hollabaugh:** In essence, we feel there are two methods of marketing voluntary products to employers, neither being better than the other, but whatever best serves the employer and its employees.

Our first method of marketing is driven by the fact that benefit costs can average between 30-40% of an employees annual wage. How many employees when asked could even come close to knowing the percent? Or better yet, most employees would err by thousands if asked to estimate the total dollar value of their company paid benefits.

How well do most employees understand their benefits? Employees are given numerous lengthy, confusing and difficult to understand booklets, SPDs, etc., which largely go unread and misunderstood. Our clients want us to help educate and communicate to their employees the value of their benefits.

Annually, we produce thousands of personalized individual employee benefit statements for our clients. These statements are concise, to the point and help explain each and every component of an employees' benefits while also putting an all important price tag on each one. Morale,

retention and employee satisfaction will improve as an employee understands the value of their benefits.

We meet with employees in group and individual meetings, using a multimedia presentation which is informative and humorous. Thus, with annual attention to this most important subject, employees become well versed in their benefits and accompanying value.

*21st Century: Marc, this sounds like a great service, but how do voluntary benefits come into play in your process?*

**Hollabaugh:** Employers are very receptive to our benefit communications program. Of course, they're concerned about the program's cost. One method of compensation is to charge a fee for our service, which a few employers prefer.

But what we've found universally acceptable and quite beneficial for the employer, employee, broker and our company is the following. If at the same time a company is having us communicate their employer sponsored benefits we introduce voluntary employee paid benefits, we will waive all fees associated with the program. Thus, the new optional voluntary program becomes a meaningful part of the company's overall benefit program. While helping to explain costs, we are simultaneously helping to hold costs down through our employee paid programs.

*21st Century: What happens if you've done all this work and employee participation isn't high enough to cover your costs?*

**Hollabaugh:** Did you see the movie Field of Dreams? Remember the line "if you build it, he will come"? One year, after enrolling a case for the third time, I was hit with the realization that "if you go, they will participate." I have since then enrolled this case five years in a row with a very successful outcome each time. I can't wait until next year. Experience with hundreds of enrollments and thousands of employees have resulted in predictable outcomes that are remarkably accurate. Thus, we're able to provide a "no cost" service companies want and it's truly a win-win situation for all.

*21st Century: What is your second method of marketing voluntary products?*

**Hollabaugh:** Because employee benefits are so expensive, some employers aren't capable of investing the significant dollars that go into a robust benefits package. Thus, our benefit communication service doesn't make sense, but the availability of an employee paid voluntary program makes all the sense in the world. Employers are quite receptive to these programs because it helps show employees they are doing all they can towards helping the employees' present and future financial situation.

*21st Century: Marc, let's conclude with you sharing with our readers why you have seen an increase with brokers using your services and introducing you to their clients?*

**Hollabaugh:** The brokers I'm working with have shared with me the following reasons why they see a future in voluntary benefits. A combination of increasing their income and providing a real, no cost benefit for their clients. We all know, the possibility exists for the reduction or elimination of income from the sale of health insurance, and voluntary products are a natural income replacement vehicle.

Also, by virtue of our producing benefit statements, we now have access to all employer sponsored benefits. This opens additional business opportunities for the broker. I can think of two cases where brokers called on companies where they had no existing business. In both cases, by mentioning our communication service (which includes voluntary products) we were able to help the broker make the sale and obtain a new client. This created revenue for the broker and gave them many opportunities to work with these wonderful companies. Likewise, this will help to link the client closer to the broker.